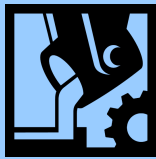


7 April 2011

Research report


Metals
 Poland

Current price	PLN 2.19
Target price	PLN 2.3
Market cap	PLN 2.5bn
Free float	PLN 1.0bn
Avg daily trading volume (3M)	PLN 15.4m

Shareholder Structure

Roman Karkosik	58.04%
Others	41.96%

Sector Outlook

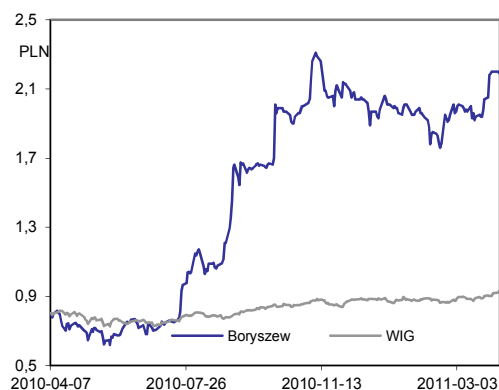
The market for non-ferrous metals has been seeing a revival since H2 2010, both in Poland and abroad. As a result, the companies are hiking their processing margins, which boosts their operating earnings. The European automotive market remains weak after the 2009 slump. However, producers are optimistic as far as 2011 is concerned.

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

15.04 - rights record day for G-series shares
 28.04 - FY 2010 report
 12.05 - Q1 2011 report
 30.08 - H1 2011 report
 10.11 - Q3 2011 report

Boryszew vs. WIG

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Boryszew Accumulate

BORY.WA; BRS PW

(New)

Potential Yet to Be Used

The takeover of companies from the Maflow Group makes a major improvement in Boryszew's operating earnings likely (we expect a 24% increase in EBIT in 2011). In the upcoming years, Maflow will be rebuilding its market standing, and it should be remembered that as recently as in 2005 and 2006 the operating earnings of its Polish companies alone approached PLN 80-85m on revenues of PLN 300-350m. In spite of liquidation proceeding that took place in 2009, the new owner has been renewing old contracts and signing new ones (the agreement signed with Volkswagen AG in mid-February offers a EUR 24-40m potential for 2012-2016). We estimate that the automotive segment will be able to generate ca. PLN 780m in sales revenues in 2011, and it should be remembered that the potential of the former Maflow Group was estimated at EUR 300m (revenues amounted to EUR 250m prior to the bankruptcy). If Boryszew is able to take over one of the six companies it is looking at now, this may generate additional shareholder value and rapid increase in earnings, provided that the potential of the purchased company can be rebuilt as quickly as is the case with Maflow now. In our opinion, the Company should also benefit from the very good situation in European manufacturing, where ca. 40% of its sales go (in January, industrial production increased by 10.3% y/y in Poland, by 12.5% y/y in Germany and by 5.4% y/y in France). Boryszew's properties in Warsaw, Wrocław (Hutmen), Katowice (Szopienice, Silesia) and Toruń (Elana) are a source of additional value for shareholders of the parent company (estimated at PLN 247m, or PLN 0.22 per share). Our valuation assumes that the properties in Szopienice, Toruń and Warsaw will be sold, which boosts valuation by PLN 207m (PLN 0.18 per share). The value of these properties, which amounts to 9.4% of Boryszew's fundamental value, justifies the premium in multiples. We recommend accumulating the stock with a target price of PLN 2.3 per share.

Stock issue with neutral impact (win - win)

The planned issue of 1128.5m G-series shares at an issuing price of PLN 0.10 apiece will finance the acquisition of one or two of the six potential acquisition targets from the automotive sector that are under consideration now. If the acquisitions fail, future earnings improvement will be driven by rising margins of Maflow companies. If they succeed, earnings are likely to improve considerably.

Management Guidance

In 2011, the Management expects (and the auditor concurs) revenues of PLN 3936m, EBITDA of PLN 337m, EBIT of PLN 240m and net profit of PLN 176m. The 4.2% discrepancy vs. our forecasts is a consequence of copper prices being 14.2% higher.

(PLN m)	2009	2010	2011F	2012F	2013F
Revenues	2 288.7	3 133.8	4 110.0	4 174.7	4 414.8
EBITDA	215.9	272.0	334.4	382.0	422.4
EBITDA margin	9.4%	8.7%	8.1%	9.1%	9.6%
EBIT	139.9	192.3	238.2	288.3	331.9
Net profit	39.7	90.4	132.4	169.3	200.7
P/E	3.5	27.3	18.7	14.6	12.3
P/E (adjusted*)	3.5	21.8	18.7	14.7	12.4
P/CE	1.2	14.5	10.8	9.4	8.5
P/BV	0.3	4.0	3.2	2.5	2.2
EV/EBITDA	5.6	13.0	10.1	8.1	6.9
DYield	0.0%	0.00%	0.00%	0.00%	3.23%

*Without taking into account the sale of properties in Szopienice and Elana

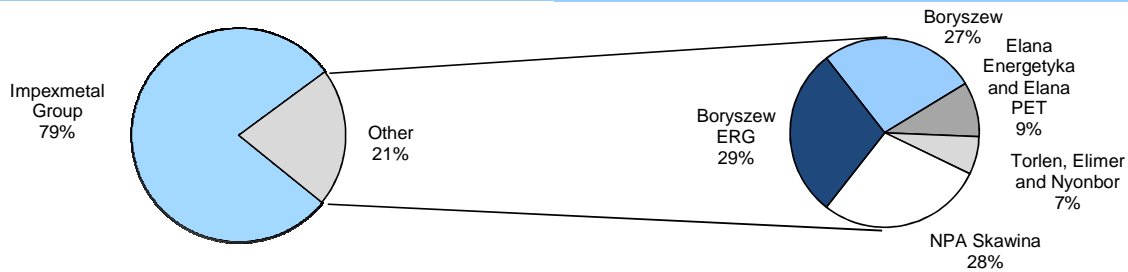
About Boryszew

Boryszew Group

Boryszew is a large family of companies dealing in the production of non-ferrous metals and metal alloys (Impexmetal, NPA Skawina), automotive hoses (Boryszew Maflow Branch, Maflow BRS, Maflow Spain, Maflow do Brazil, Maflow Components Dalian, Maflow France), chemicals and polymers (Boryszew ERG, Boryszew Elana Branch, Torlen, Elana PET), building materials (Boryszew ERG) and bearings (FŁT Polska).

About 79% of Boryszew's total sales are generated by the companies forming the Impexmetal Group, producer of non-ferrous metals and bearings and car battery recycler. 21% of total sales come from the remaining companies, including 5.6% generated by the parent entity, represented by the Elana Branch (synthetic fiber) and Maflow BRS (automotive hoses). 6.0% of sales are generated by Boryszew ERG, producer of plastics additives, siding, automotive fluids, paper adhesives, and packaging. 5.9% of sales are generated by NPA Skawina, producer of aluminum and aluminum alloy wire rod for electric cable manufacturers. A combined 3.4% of sales are generated by Elana Energetyka (energy supplier), Elana PET (PET recycling), and Torlen (polyester yarn producer). Other companies contribute less than 1% to total sales.

Breakdown of Boryszew's Q1-Q3 2010 sales by subsidiary

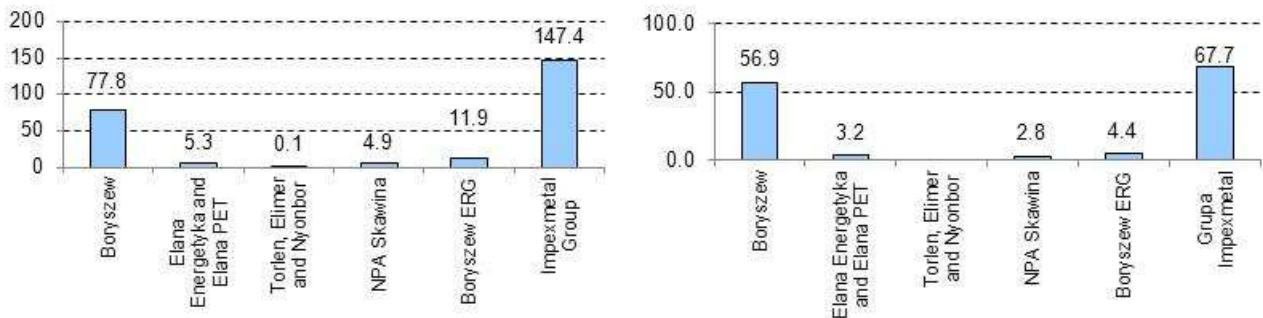


Source: Boryszew S.A.

In the period from January through September 2010, the biggest contribution to Boryszew's consolidated EBITDA was made by Impexmetal companies (PLN 147.4m), including the aluminum smelter in Konin (PLN 70.9m) and battery recycler Baterpol (PLN 34.8m), followed by the parent company Boryszew (PLN 77.8m). Also worth mentioning was a PLN 11.9m EBITDA contribution of Boryszew ERG.

The two main drivers behind the period's bottom-line were the parent Boryszew and Impexmetal.

Q1-Q3 2010 EBITDA(L) and net profit (before eliminations)(L) by subsidiary



Source: Boryszew S.A.

Impexmetal Group

Impexmetal is Boryszew's 50.64%-owned publicly-traded producer of cold and hot rolled aluminum products (Huta Aluminium Konin, HAK), semi-finished copper products and copper alloys (Hutmen, WM Dziedzice), zinc and lead products including titanium-zinc sheets, zinc anodes, zinc die-casting alloys, and zinc and lead oxides (ZM Silesia, Huta Oława). Moreover, the Impexmetal family includes battery-lead recycler Baterpol and FŁT Polska, supplier of bearings for automotive and industrial applications.

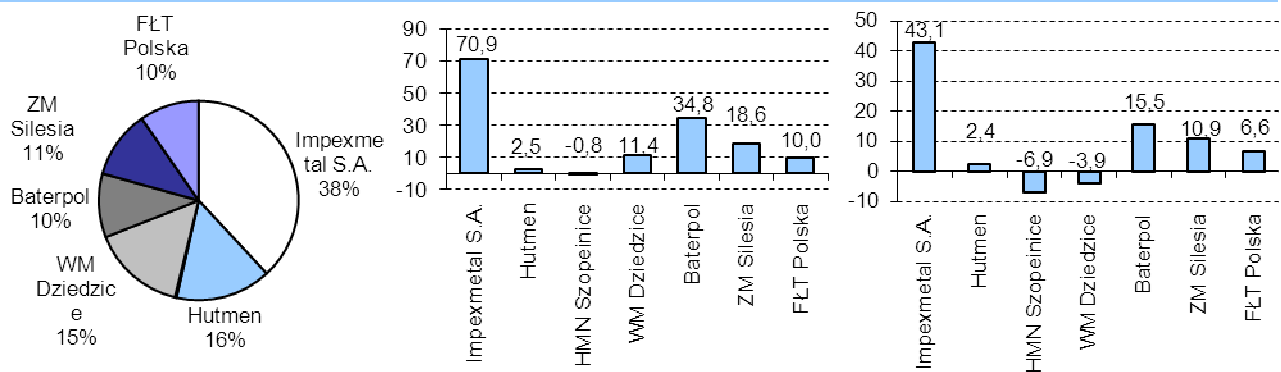
Impexmetal exports about 50% of its production, mainly to Western Europe. 75% of the exports are to Germany, and the state of German manufacturing and construction industries is a key determining factor of the company's sales volumes.

With metal stock accounting for ca. 60% of Impexmetal's total production costs, revenues are highly sensitive to world metal prices. Impexmetal charges its customers on a cost-plus-margin basis or per ton of processed metal, so, its profits are not affected by changes in metal-stock prices. However, its COGS increase with rising markups charged by ingot and pig producers.

The main earnings driver for Impexmetal's metal processing operations (HAK, Hutmen, WM Dziedzice, ZM Silesia) are sales volumes (+20% y/y in the first three quarters of 2010), whose growth makes it possible to raise processing margins. Until recently, the latter have been kept tight by rising markups set by ingot and pig suppliers, but these markups are expected to remain steady throughout H1 2011.

For more information on Impexmetal, refer to our November 18th research report.

Q1-Q3 2010 contributions to revenues (percent, L), EBITDA (PLN m, M) and net profit before eliminations (PLN m, R) by subsidiary



Source: Boryszew S.A.

Boryszew Elana Branch

Boryszew Elana Branch is a branch of Boryszew's parent company which produces and sells polyester fabrics and materials, including the "Elana" staple fiber used in the manufacture of nonwoven fabrics for the furniture and clothing industry, quilt and pillow fillers, and the automotive industry (car trunk and wheel well liners, car mats). In addition, it processes amorphous polymers into PET, which is used in the production of plastic bottles.

Elana's staple-fiber business has been negatively affected by strong and cheap competition from Asian suppliers of polyester woven and knitted fabrics and ready-to-wear clothes which crushed Elana's local customers, causing them to go bankrupt (examples include Wilma, Zawiercie, Polontex). As a result, Elana had to switch from mass production to higher value-added products (industrial filter fibers, geotextiles, fibers for the hygiene, automotive, and medical industries). In 2008, the company shut down and sold its "Neumag" staple-fiber line, reducing monthly capacity from 2.15 to 1.0 tons.

The sales and profitability of industrial fibers suffered further from increased domestic competition (new capacity built by, among others, Filtry Haft, producer of filter fibers based in Gorzów Wielkopolski) which coincided with slowing demand, especially from the automotive and furniture industries. Capacity expansions were also made by producers of nonwovens for sanitary and hygienic applications (Lentex, Novita) made using recycled materials. Elana also uses recycled PET flakes and granules. The fiber producer has seen an improvement in profitability as a result of restructuring measures, but its existing machine fleet does not support production of flat staple fiber for sanitary, automotive, and filter applications. Elana's main customers are Lentex, Texton, Poltex, Adax, and Novita in Poland, and Borgers, Alder, Intea, and Temaforg elsewhere. Its competition hails from countries like Romania, Taiwan, South Korea, Germany, India, and Ireland.

**Elana's 2007-2010 sales volumes and revenues**

Volumes (tons)	2007	2008	2009	H1 10
Elana (total staple fiber)	29 984	20 393	12 664	6 456
Torlen (total continuous filament)	16 379	10 791	692	0
PET	47 696	33 994	13 866	203
Spunbound nonwovens ('000 m ²)	5 554	2 709	555	0
Total	94 059	65 178	27 222	6 659
Revenues (PLN m)	2007	2008	2009	H1 10
Elana (total staple fiber)	135.7	83.8	51.0	25.8
Poland	81.7	46.5	34.2	15.1
Exports	54.0	37.3	16.7	10.8
Torlen (total continuous filament)	130.4	81.4	6.1	0.0
Poland	93.9	52.6	3.1	0.0
Exports	36.5	28.8	2.8	0.0
PET	202.3	37.3	4.7	0.7
Poland	166.0	26.9	2.2	0.2
Exports	36.3	6.4	0.2	0.5
Spunbound nonwovens	10.9	5.5	1.2	0.0
Poland	10.8	5.5	1.2	0.0
Exports	0.1	0.0	0.0	0.0
Other	41.8	48.2	25.7	n.d.
Total	1 000.2	460.2	149.2	n.d.

Source: Boryszew S.A.

In 2009, to increase transparency and reduce costs, Boryszew decided to spin off the continuous filament production operations from the Elana Branch to a new company called Torlen.

In addition to fibers, the Elana Branch also produces PET (polyethylene terephthalate), a polymer used in the production of containers and film. Elana's share in the domestic PET market has been on the decline since 2003, falling from 45-50% to 12.5% due to increased competition from SK Eurochem (Włocławek), DOW (Shopau, Germany) and Nemuno Banga (Lithuania). The company is currently focused on processing third-party material (amorphous polymer rather than recycled bottles, as in the case of Elana PET) and sells mainly to domestic customers.

Torlen

Torlen produces high tenacity low-shrinkage polyester yarn for textile applications (thread, car covers, window blinds, garden hoses) and industrial uses (drinking water filters). Like staple fiber makers, continuous filament producers have been under pressure from increased imports from the Far East, facilitated by the elimination of import duty on Chinese end products. Torlen's main polyester yarn customers are curtain producers (Haft, Fako), textile producers (Optex), and hose and filter producers (Cellfast, Polix, Technitex). Orders are much lower than they used to be, however, due to Far East competitors, who are able to offer products of comparable quality. Moreover, in the case of technical yarns, importers and foreign producers are able to offer yarns with much better technical parameters due to the limitations of Torlen's current machinery. In addition to Asian producers, the company's competitors come from Germany (Invista), and Belarus (Khimvolokno). Torlen's main foreign markets are Hungary, the UK, Germany, and Russia.

Torlen's 2007-2010 sales volumes and revenues

Volumes (tons)	2009	H1 10
Continuous filament	3 518	1 981
Poland	1 518	622
Exports	1 932	1 359
Revenues (PLN m)	2009	H1 10
Continuous filament	28.1	17.4
Poland	10.7	4.7
Exports	17.4	12.7

Source: Boryszew S.A.

Elana PET

Elana PET recycles used PET bottles into PET flakes used to produce polyester fibers. As a sideline, the company also provides services to mechanical, electrical, and automation industries (welded steel frames, machine tests and diagnostics, parts renovation, control engineering, computer-controlled panel cutting, ion nitriding, assembly line assembly).

After years of catering exclusively to the Elana Branch, Elana PET was restructured in 2008, offering its PET flakes to external customers in Poland and abroad. The company's main challenge is securing a sufficient supply of used PET bottles. Its main Polish customers are Ergis, Comfort, PTS, Jurex, Wald-Gold, and the Elana Branch. Its main competitors are Polowat, KristMar, CS Recykling, and Wibo. The key foreign customers are Australia's PRT and the Czech Silon.

Elana PET's 2007-2010 sales volumes and revenues

Volumes (tons)	2007	2008	2009	H1 10
Products	5 367	6 423	6 344	n.d.
Revenues (PLN m)	2007	2008	2009	H110
Tiles	11.1	14.8	13.3	7.6
Elpet (PET)	1.2	0.2	0.0	0.0
Maintenance services	13.2	11.5	9.3	4.0
Sewage	7.2	5.1	1.7	0.0
Transportation	1.6	0.9	0.0	0.0
Other	1.0	0.5	0.2	0.1
Total	35.8	33.1	24.0	11.9

Source: Boryszew S.A.

The main problem with PET recycling are unpredictable volumes of plastic waste and unpredictable demand for PET flakes.

Elana Energetyka

Elana Energetyka sells heat, electricity, and heat transfer fluids, mostly to the neighboring Elana Branch, and carbon emission credits (revenues from the 170.000 EUA sold per year are recognized under "other revenues"), and, less notably, coal slag, deionized water, and liquid nitrogen.

Elana Energetyka's 2007-2010 sales volumes and revenues

Volumes	2007	2008	2009	H1 10
Heat (GJ)	1 313 725	557 320	275 730	n.d.
Electricity (MWh)	145 038	91 571	46 885	n.d.
Water ('000 m ³)	831	600	295	n.d.
DEMI water ('000 m ³)	139	68	12	n.d.
Cooling water ('000 m ³)	53 382	4 685	0	n.d.
Cooling (GJ)	105 063	53 246	3 603	n.d.
Sewage by water hardness ('000 m ³)	63	77	222	n.d.
Sewage transfer ('000 m ³)	1 396	834	434	n.d.
Sewage treatment ('000 m ³)	54	65	25	n.d.
Wet compressed air ('000 N m ³)	162 088	46 157	1 868	n.d.
Dry compressed air ('000 N m ³)	150 971	10 1570	20 653	n.d.
Nitrogen gas ('000 N m ³)	9 857	3186	606	n.d.
Natural gas (m ³)	109 270	13 183	0	n.d.
Revenues (PLN m)	2007	2008	2009	H1 10
Heat	34 841	16 991	11 332	n.d.
Electricity	33 129	25 054	19 468	n.d.
Water	1 578	1 407	1 047	n.d.
DEMI water	752	592	188	n.d.
Cooling water	5 741	648	0	n.d.
Cooling	5 084	3 167	318	n.d.
Sewage (water hardness)	159	210	691	n.d.
Sewage transfer	425	269	331	n.d.
Sewage treatment	89	265	57	n.d.
Wet compressed air	5 394	1 961	125	n.d.
Dry compressed air	5 721	5 083	1 544	n.d.
Nitrogen gas	1 600	1 127	368	n.d.
Natural gas	143	18	0	n.d.
Other	1 472	770	767	n.d.
Total	96 128	57 562	36 236	17.6

Source: Boryszew S.A.

Boryszew ERG

Boryszew ERG produces chemicals, industrial packaging, and building materials.

The chemicals portfolio includes plasticizers for PVC, its components, cellulose and rubber, which are widely used in the manufacture of nitrocellulose, chlorinated rubber and polystyrene lacquers, lubricating oils and vinyl-acrylic dispersions. Chemicals are sold in Poland and in Eastern Europe, mostly Ukraine, Lithuania and Belarus. Boryszew's share of the domestic market is estimated at 30% for plasticizers, 10% for stabilizers and 2% for lubricating oils. Its main competitor in Poland is ZA Kędzierzyn. Abroad, it also competes with BASF and DEZA Czech Republic, among others.

Chemicals sold by Boryszew ERG include also industrial adhesives based on polyvinyl acetate and copolymers, which are used in the construction industry, packaging manufacture, book and newspaper printing and wood gluing. The company has a 40% share in the Polish market for paper adhesives, a 20% share in the market for textile adhesives and a 15% share in the market for furniture adhesives. Its competitors include Synthos, ZCh Paprocki, Extrem (Belgium) and Jowal (Germany).

The company also manufactures automotive fluids, as well as fluids used in cooling, air conditioning, heating and solar installations. Its share of the Polish market for car radiator fluid approaches 35%, and its main competitors are PKN Orlen, Organika Łódź, Mobil and Shell. In the case of installation fluids, Boryszew's "Ergolid" has a ca. 55% market share, and the main competitors are Organika Łódź and Vestoil.

Boryszew ERG manufactures polypropylene, polyethylene and polystyrene packaging for various products. Its product range includes styrofoam blocks, polyethylene barrels, buckets, baskets and containers. The company's share in the domestic market for PP and PE packaging figures to ca. 45%, and its main competitors are Nitroerg Bieruń and Invac Technologies Warszawa. In the case of styrofoam products, the main competitors include Knauff Industries Mszczonów and HSV Polska Kędzierzyn Koźle.

As far as building materials are concerned, the Company manufactures vinyl sidings, vinyl soffits, external doors, facade stones and styrofoam decorative materials. Sales concentrate in Poland. In the area of steel doors, the main competitors are KMT Stal, Stalprodukt Zamość, Fabryka Drzwi Stalowych Capek; for sidings and soffits, the competitors include Gamrat Jasło, Cellfast Krosno, VOX Industrie, Royal Europa, and for styrofoam decorative materials, Decora, Domstyl and Tarczyn.

2007-2010 sales volumes and revenues of Boryszew ERG

Volumes (tons)	2007	2008	2009	H1 10
Chemicals	14 276	12 563	14 046	n.d.
Automotive	13 586	12 296	12 469	n.d.
Building materials		2 834	1 866	n.d.
Packaging	1 509	1 517	1 317	n.d.
Adhesives	6 300	5 428	6 499	n.d.
Total	34 162	30 287	33 014	n.d.
Revenues (PLN m)	2007	2008	2009	H1 10
Chemicals	73.4	61.6	56.6	41.2
Automotive	46.7	42.3	40.3	15.7
Building materials	42.0	42.9	31.8	11.8
Packaging	11.4	8.8	5.7	2.3
Adhesives	18.7	17.2	18.0	9.9
Total	203.6	184.2	162.0	85.2

Source: Boryszew S.A.

Automotive and construction products are distributed through own network, while adhesives and packaging are sold to institutional customers.

Maflow

The history of Maflow (then called Manuli) goes back to 1935 and has its origins in the manufacture of rubber hoses for transportation of fluids. In 1983, the company bought Stratoflex, which was at the time a leading manufacturer of air conditioning hoses, and in 1990 it acquired a 33% stake in Murray Europe, Fiat's main supplier of AC and power steering hoses. Beginning in early 1990s, Maflow grew very fast in the area of AC hose production. It bought Flexmatic, opened a new plant in Santander (Spain) and moved its French plant to a new location. In 1998, it also set up a production facility in Curitiba (Brazil), and increased its stake in Murray Europe to 100%. In 2000, the Automotive business was spun out, and in 2004 sold to ILP, a fund. In 2006, the name was changed to Maflow, and in 2007, Codan, a manufacturer of air conditioning and rubber hoses, was bought. As recently as in 2008 the Maflow-Codan group owned plants in Europe (Italy, France, Spain, Poland, UK), as well as in China, Brazil, Argentina, Mexico, Korea, Thailand and Malaysia. When orders from car manufacturers declined in late 2008 and early 2009, the heavily-indebted company was unable to cope with the new, tougher environment, and many of its subsidiaries went bankrupt.

European market for air conditioning hoses by supplier (percent)

Company	Market share
Maflow	22%
Conti	18%
Visteon	12%
Eaton	11%
Hutch	10%
Ti Auto	8%
Dayco	7%
Denso	4%
Parker	3%
Others	5%

Source: Boryszew S.A.

Maflow's share of the European market for air conditioning products is estimated at 22%.

Boryszew Maflow Branch

Boryszew bought the Polish branch of Maflow from its administrator for PLN 73.9m (including PLN 6.8m in leasing liabilities, but no debt). The acquired assets include a plant in Tychy (which manufactures AC hoses) and two plants in Chelmek (which manufacture rubber hoses, AC hoses, power steering hoses and active suspension hoses). Their share of the European market for AC hoses is estimated at ca. 22% (9-10% share in the global market). It supplies, among others, such producers as Volkswagen (Audi, Skoda, Seat), Fiat, Jaguar, Land Rover, Volvo (including Volvo Trucks), DAF, Scania, Opel, Renault (Dacia), Citroen, Peugeot and Ford. Its buyers are located in Poland, Germany, Czech Republic and Sweden.

The output of Maflow's Polish branch is dominated by AC hoses (ca. 90%), the reminder being power steering hoses (5%) and other hoses (3%). Despite the problems related to bankruptcy proceedings and ownership change, Maflow Poland has been able to successfully extend its contracts, and capacity utilization amounts to 80% for Volkswagen, 50% for Fiat, 90% for Renault (aluminum) and at 70% for Volvo, DAF and Scania (steel). The company has not noted an outflow of highly-qualified staff despite the bankruptcy proceedings.

Maflow Poland sales by product category in 2007 - 2010

(PLN m)	2007	2008	2009	H1 10
Air conditioning hoses	493.3	451.2	434.0	210.1
Active suspension hoses	0.7	0.1	0.2	0.4
Brake hoses	0.0	0.0	0.1	0.1
Fuel hoses	3.3	4.8	3.4	0.7
Water hoses	0.0	0.5	0.4	0.2
Other hoses	3.5	12.8	14.5	7.3
Oil hoses	9.6	3.9	6.1	1.7
Power-steering hoses	2.7	20.7	22.8	11.7
Total	513.0	494.1	481.5	232.1

Source: Boryszew S.A.

In the past, Maflow Poland expanded its revenues very quickly, thanks to the move of the production facility from the Netherlands (2002) and the opening of a new plant in Chelmek (2006). In 2005-2006, the company's sales reached PLN 200-350m, with an EBITDA margin at 25-30%.

Prices in contracts with car manufacturers are set for product platforms, which are put to tender under such criteria as price, quality and design. Price assumptions are revised if the cost of a given feedstock material changes by more than 5-10%. The contracts are signed for several years, and they foresee a reduction in prices after some time elapses (because R&D expenses are the highest at the early stages of the production process). In the long term, the margin on automotive components is stable, which is a consequence of the car makers' policy of splitting purchases between three producers (40:40:20), so that if there are problems with supplies from one of them, the other two can offset this. The other source of the long-term

margin stability is access to know-how and the ability to use appropriate design. Given the limited number of suppliers, car makers cannot afford to cut component prices drastically, which could lead to a price war among the suppliers and possibly to the bankruptcy of some of them.

In 2011, Maflow's revenues are likely to increase only to an extent justified by product price increases driven by rising commodity prices. Revenue growth driven by new orders should not be expected until 2012, when the Company wins orders for new vehicle platforms. One of such orders did in fact come in late February 2011 from Volkswagen AG. The platform encompasses two of the Group's most popular models, Fabia and Ibiza, and will be in production between 2012 and 2016 (or later). The value of the order is estimated at EUR 4.8-8m per year, or PLN 20-40m over the life of the contract (which is expected to be signed within weeks). The new order confirms the company's ability to win new contract and to rebuild its potential in the future.

Due to the problems Maflow experienced in late 2008 and in 2009, when it was in administration, it did not submit a full profit and loss account.

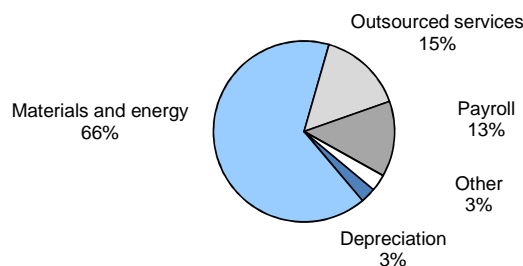
2005-2007 abbreviated income statement

(PLN m)	2005	2006	2007
Sales revenues	310.0	359.0	525.7
y/y change		15.8%	46.4%
Operating expenses	234.6	284.9	521.3
D&A expenses	14.2	11.9	14.3
Materials and energy	163.9	202.3	341.8
Outsourced services	18.7	24.3	79.2
Taxes and fees	1.2	1.4	1.9
Payroll and benefits	30.5	37.6	70.4
Other	6.0	7.4	13.6
EBIT	85.6	80.4	13.4
EBIT margin	27.6%	22.4%	2.5%
EBITDA	99.8	92.3	27.6
EBITDA margin	32.2%	25.7%	5.3%
Net profit	69.0	66.4	6.6

Source: Boryszew S.A.

Material costs account for the biggest share of Maflow's costs of production (ca. 56%), with energy costs consuming ca. 3%. Payroll and social insurance expenses account for ca. 13% of operating expenses, and depreciation for ca. 3%.

Breakdown of Maflow Poland's costs of production (percent)



Source: Boryszew S.A.

In 2007-2008, Maflow Poland focused on replacement CAPEX, and the only investments undertaken in 2009-2010 were those necessary for continuity of operations. PP&E outlays in 2011 can be estimated at ca. EUR 2-3m.

Maflow BRS

The Italian company Maflow BRS was set up in September 2010, and on 1 October it purchased companies from Maflow S.p.A. (in administration) and Man Servizi S.r.l. (in administration) for EUR 7.9m. All in all, Maflow BRS comprises three business unit: a production plant in Trezzano Sul Naviglio (which makes air conditioning and brake hoses), a production plant in Ascoli Piceno (which manufactures technologically advanced rubber hoses for Maflow's other plants) and a research and design center located in both of these cities.

The Trezzano Sul Naviglio plant serves the local car producers, mostly Fiat and Scania. At the moment, its capacity is underutilized at 25% following the loss of a major customer, BMW. The company is hoping to win BMW orders back, and to start supplying hoses to the new Fiat Panda and brake hoses to Scania.

The Ascoli Piceno plant supplies rubber hoses to companies from the Maflow group and to external customers such as Eaton or Contitech, who buy approximately 1/3 of the total output. The plant is located in central Italy's "chemical region", and rubber compounds used in the production process are bought locally. The plant's current capacity utilization is estimated at 70-75%.

Maflow Spain Automotive

Boryszew bought Maflow's Spanish plant (located near Santander) for EUR 1.6m on 8 October 2010. In contrast to the plants discussed above, the company focuses on installation and assembly of hoses produced in Poland and Italy. The products are then supplied to car production plants in Spain and Portugal (Volkswagen, Renault, Citroen and Opel). This is a natural model in the automotive industry, where the supply process is based on the just-in-time principle (moreover, the supplier must have experts ready to intervene within a specified timeframe). At this time, capacity utilization in the Spanish branch amounts to 70%.

Maflow do Brasil

Maflow's Brazilian branch was bought on 29 October 2010 by Boryszew's subsidiary Maflow BRS for EUR 200 thousand (the price also covered Maflow Components Dalian). The Brazilian plant is located near Renault's and Nissan's plants, whereas Volkswagen's PSA's, Scania's and General Motors' facilities in Brazil are some 500 kilometers away (near Rio de Janeiro and Sao Paulo). Just as in the case of the Italian branch, the Brazilian plant assembles components made by Maflow Boryszew Branch and Maflow BRS in Italy. Capacity utilization at the Brazilian plant amounts to ca. 60% at this time.

Maflow do Brazil sales by product category in 2007 – 2010

(PLN m)	2007	2008	2009	H1 10
Air conditioning hoses	44.9	38.6	41.4	26.4
Power-steering hoses	1.6	1.3	1.2	0.6
Total	46.5	39.8	42.6	27.0

Source: Boryszew S.A.

Maflow Components Dalian (China)

Just as the Brazilian branch, the Chinese company was bought by Maflow BRS on 29 October 2010. In terms of the complexity of the production chain, it is Maflow's most comprehensive facility. It produces primary rubber, rubber hoses and complete sets of air conditioning and power steering hoses. The main customers include Shanghai Behr Termosystem, FAW (Audi China) and Senstar. The current capacity utilization is some 40%.

Maflow Components Delian sales by product category in 2007 – 2010

(PLN m)	2007	2008	2009	H1 10
Air conditioning hoses	2.9	4.7	17.2	9.7
Power-steering rubber hoses	0.0	0.0	2.6	1.1
Rubber mix	0.0	1.3	2.4	0.2
Total	2.9	5.9	22.2	11.1

Source: Boryszew S.A.

Low capacity utilization at the Chinese branch at the time of a rapid increase in demand in that market means that a considerable increase in revenues is likely in the future without the need for additional investment outlays.

Maflow France

On 6 December, Boryszew announced it had taken over Maflow's French branch for EUR 1.8m (plus additional EUR 1.9m for the cession of a property leasing agreement). The French plant manufactures and assembles hose elements from rubber supplied by Maflow Ascoli. The biggest buyer is PSA (55%), followed by Renault (35%) and Maflow's Spanish branch (11%). Just as in the case of the other plants, most of the revenues come from air conditioning hoses (ca. 65%), followed by power steering hoses (ca. 23%) and active suspension hoses (4%).

NPA Skawina

The company is Poland's biggest (and one of Europe's bigger) manufacturers of aluminum and aluminum alloy wire rod used in the manufacture of electrical cables and non-conductive wire rod used in steelmaking as deoxidant. The product range also includes wire and naked aluminum wires. Its total output capacity is 40 kt per year for wire rod and ca. 6 kt for wire.

2010 was a fairly difficult year for the makers of aluminum wire rod, due to the decline in their volumes and margins, accompanied by difficulties with the purchase of primary aluminum and increasing markups of ingot and pig makers. The Venezuelan supplier EurAlloy has withdrawn from the European market, while Rusal (Russia) and Alro (Romania) have decided to increase production of primary aluminum and to reduce production of the low-margin wire rod. The rise in the processing margin observed last year provided an opportunity to regain market share in the market for wire rod and alloy rod. The current strategy is aimed at focusing on high-margin products with higher value added (wires, alloy rod) at the expense of less processed wire rod, the market for which is highly competitive.

NPA Skawina's 2007-2010 sales volumes and revenues

Volumes (tons)	2007	2008	2009	H1 10
Wire rod	29 104	20 810	9 694	2 959
Poland	16 165	9 905	1 653	568
Exports	12 939	10 905	8 041	2 391
Alloy rod	7 171	11 830	5 493	2 468
Poland	1 007	1 373	0	36
Exports	6 164	10 457	5 493	2 432
Total	42 805	33 429	20 003	8 467
Revenues (PLN m)	2007	2008	2009	H1 10
Wire rod	262.1	157.3	59.8	23.2
Poland	144.3	73.3	9.8	4.6
Exports	117.8	83.9	50.1	18.6
Alloy rod	65.4	67.1	39.4	21.0
Poland	9.2	10.5	0.0	0.3
Exports	56.1	56.7	39.4	20.7
Total	391.8	261.8	136.7	71.0

Source: Boryszew S.A.

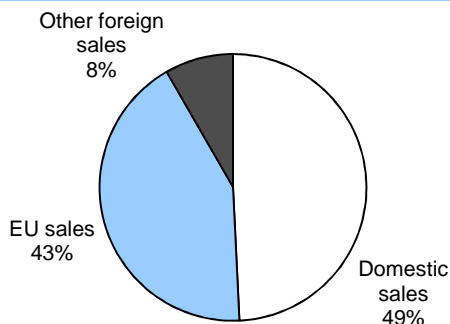
Within the next few years, the company is planning to considerably increase sales in the Polish market, in connection with the planned work on the modernization of the Polish electricity infrastructure, which is among Europe's oldest. Nonetheless, the domestic market remains very competitive, due also to bids made by such players as Trefinasa (Spain) or CTC (USA), which have a very aggressive marketing, both economically and politically.

Another factor that could have a positive impact on Skawina's sales are the rising prices of copper relative to aluminum. At present, copper is 3.6 times more expensive than aluminum, compared to a 2.1 average ratio since 2000. Some of the buyers of metal components may soon reduce orders for copper components and buy more substitutes. Wires and wire rod can be made of copper, copper-covered steel or aluminum. Rising copper prices may cause a considerable portion of the demand to shift towards aluminum-based products, which would be beneficial to NPA Skawina.

Domestic Sales and Exports

In 2010, Poland was the main market for Boryszew (49%, and 51% for Impexmetal). Most export revenue comes from European Union countries (43%, and 44% for Impexmetal), in particular from Germany (due to the 75% share of exports to Germany in the case of Impexmetal) and other countries (8%).

Share of domestic sales and exports in total sales in 2010 (percent)



Source: Boryszew S.A.

Seasonal patterns in sales

Sales of some products are subject to seasonal patterns, in particular:

- Bottle polymers (Boryszew Elana Branch), due to increased demand for drinks in the summer;
- Car fluids (Boryszew ERG), whose sales peak towards the end of a year;
- Overhead cables (NPA Skawina), whose sales peak between spring and fall thanks to good weather conditions;
- Copper hoses, cupronickel hoses, brass condenser hoses (Hutment, Dziedzice), whose sales peak outside the spring due to intensification of construction work and work on modernization of heating systems;
- Zinc-titanium sheets (ZM Silesia) between the spring and the fall, as good weather conditions are needed for roof work;
- Siding and doors (Boryszew ERG), whose sales also increase when the weather is good;
- Car hoses (Maflow), because car makers reduce production in July-August, which reduces the number of orders.

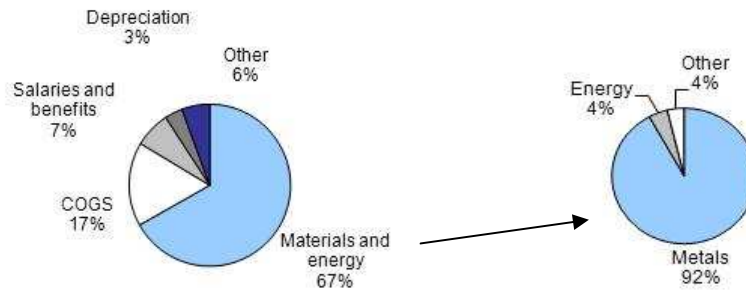
Production costs

We present a breakdown of production costs separately for Impexmetal (which focuses on metal processing) and other members of the Boryszew Group.

Impexmetal Group

Production costs are dominated by the cost of materials and energy (66%), followed by the cost of goods sold (17%) and payroll and insurance expenses (7%). Depreciation and other costs account for 10% of the overall costs of production. The costs of materials and energy are dominated by the cost of purchase of metals (92% of the costs of materials and energy and 61% of total costs). The cost of electricity and other energy-related costs (gas, other materials) account for 8% of the costs of materials and energy and ca. 5% of total costs.

Costs of production at Impexmetal Group (L) and breakdown of the costs of materials and energy (R) in 2009 (percent)

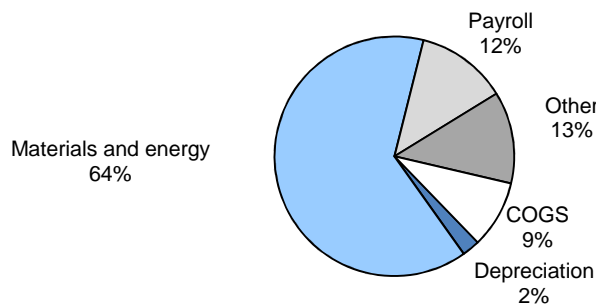


Source: estimates by BRE Bank Securities

Other companies

In the case of the other companies in the Boryszew Group, costs of materials and energy account for the lion's share of all expenses (64%). "Other" expenses account for 13% of total costs, salaries for 12% and depreciation charges for 2%.

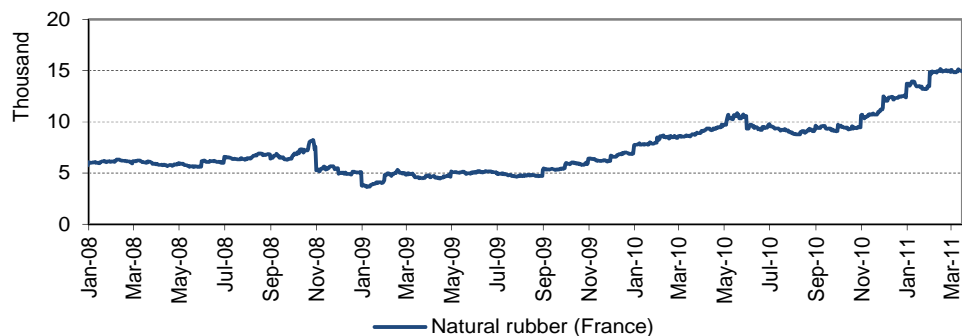
Breakdown of costs of production at Boryszew's other subsidiaries in 2009 (percent)



Source: Boryszew S.A. estimates by BRE Bank Securities

The costs of materials and energy look different at Boryszew's various subsidiaries. At NPA Skawina, just as in the case of Impexmetal, the main cost are aluminum ingots and pigs. In the case of the Elana Branch, material costs are dominated by the cost of fiber-forming polymers used in the manufacture of Torlen's products, as well as the costs of amorphous polymers and PET flakes used in the manufacture of staple fibers. At Elana PET, the main cost are bottles bought to manufacture PET flakes. In the case of Maflow, the main material cost is rubber (whose price is determined by the price of natural rubber used in the vulcanization process), as well as aluminum, which is bought from big suppliers/processors (e.g. Norsk Hydro). Maflow pays for most of its materials in the euro, which reduces its foreign-currency risk because contracts for end products are also denominated in that currency.

Natural rubber prices in France (PLN thousand)



Source: Bloomberg

Hedging policy

Boryszew recognizes hedging income and expenses as financing income/expenses, while realized hedging transactions enter the income statement at the operating level. All entities in the Group practice hedging aimed at elimination of the risk of changes in metal prices and foreign-exchange rates. This risk is particularly important in long-term contracts and contracts with fixed price. All companies in the group except for Baterpol hedge themselves against increases in metal prices (long position) at the time of conclusion of a sales agreement. Baterpol, in turn, hedges itself against declines in the price of lead at the moment of battery supply (short position).

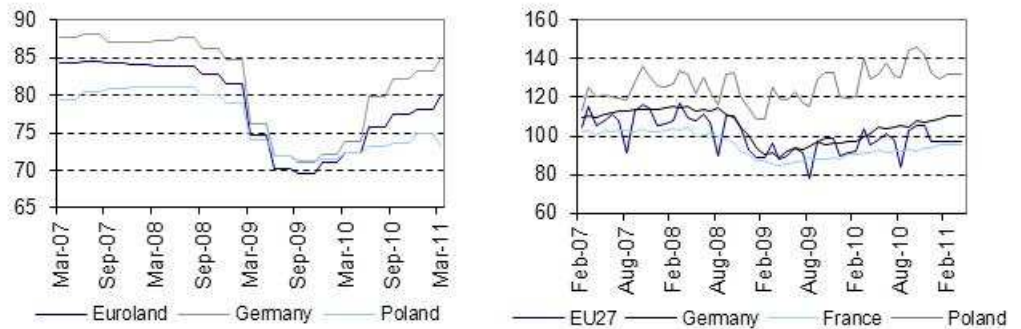
Macroeconomic Environment

We are analyzing Boryszew’s macroeconomic environment taking into account the situation in construction, manufacturing and the automotive industry. Impexmetal generates ca. 55-60% of its revenues from manufacturers, and the remaining 40-45% from constructors. Boryszew Elana Branch sells its products primarily to textile producers, and Maflow to car makers. Elana Energetyka’s customers include manufacturers and public institutions, while Elana PET and Torlen sell their products to manufacturers (typically textile manufacturers). Boryszew ERG sells its products primarily to chemical, automotive and food producers, with just 15% of the total output going to customers from the construction industry. NPA Skawina’s products are generally used in power engineering. All told, Boryszew’s subsidiaries other than Impexmetal direct 55% of their sales to manufacturers, and 45% to the construction industry.

Manufacturing in Poland and Europe

By the end of March 2011, capacity utilization in European manufacturing had increased to 80.0% (84.9% and 73.1%, respectively, in Germany and Poland). Since early 2010, it has been on the rise in all of these areas, with the only major slump recorded in Poland in March (73.1% vs. 74.9% in February). The value of industrial production sold increased by 12.5% y/y in January in Germany, compared to 11.1% y/y in November and 11.3% y/y in December. Industrial sales were stable in France, with growth of 5.4% y/y in January, 5.9% y/y in November and 7.0% y/y in December. In Poland, industrial production sales increased 10.7% y/y in February, compared to 10.3% y/y growth in January and 11.4% growth in December.

Capacity utilization (percent, L), Industrial production sold (2005=100, R)



Source: Bloomberg

Although EU27’s Manufacturing PMI declined in August and September to 55.1pts and 53.1pts, respectively, the following three months brought a rebound, and the indicator rose to 54.6pts in October, 55.3pts in November and 57.1pts in December. The last reading (for March) was 57.5pts. Germany saw a very high PMI Manufacturing in February and March (62.7pts and 60.9pts, respectively), approaching the high of 2010 (April, 61.5pts). Poland benefitted from the strength of its western neighbor’s economy, and its PMI Manufacturing reached 53.8pts and 54.8pts in February and March, respectively, compared to the December high of 56.3pts. As of the end of March, the indicator remained above 50pts in Italy (56.2pts) and the UK (57.1pts). A high reading was recorded in France in December (55.4pts).

New orders in manufacturing in the EU were growing at a double-digit rate in H2 2010. In January, they increased by 20.9% y/y, compared to 19.2% growth seen in December. Since June 2010, new orders in German manufacturing have been rising at a rapid rate of ca. 20% y/y, which reached 24.9% y/y in January. In France and Spain, new orders grew at 16.2% y/y and 13.1% y/y, respectively, in January, compared to +4.8% y/y and +6.9% y/y in December. In Poland, new orders in manufacturing increased by 10% y/y in January, compared to 23.4% y/y growth in December and 8.8% y/y growth in November.

Manufacturing orders (L) (y/y), PMI (R)

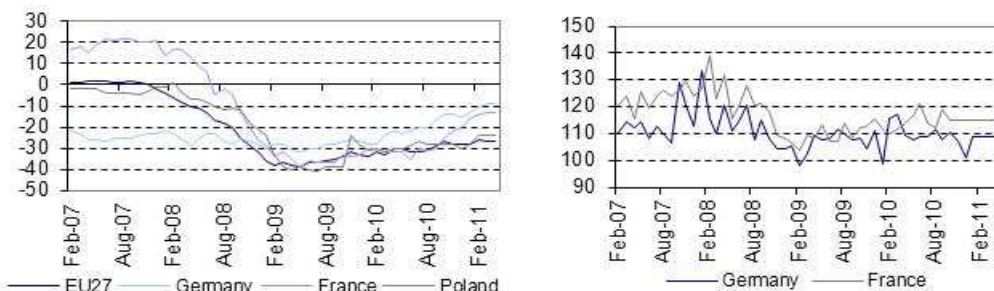


Source: Bloomberg

Construction in Poland and Europe

At the moment, sentiment indicators for the construction industry in Euroland and in individual EU countries (Germany, France, Poland) are below their neutral levels, but they do remain in an medium-term upward trend. A clear rebound is being observed in Germany, thanks to infrastructural programs implemented there (EUR 4bn for transportation infrastructure and EUR 10bn for educational and infrastructural construction in 2010). This should generate demand for building materials in Germany at least in early 2011. As far as new orders in the construction industry are concerned, their levels in France and Germany are close to those seen in 2009.

Sentiment indicator for construction industry (L) and new orders in construction (2000 = 100, R)

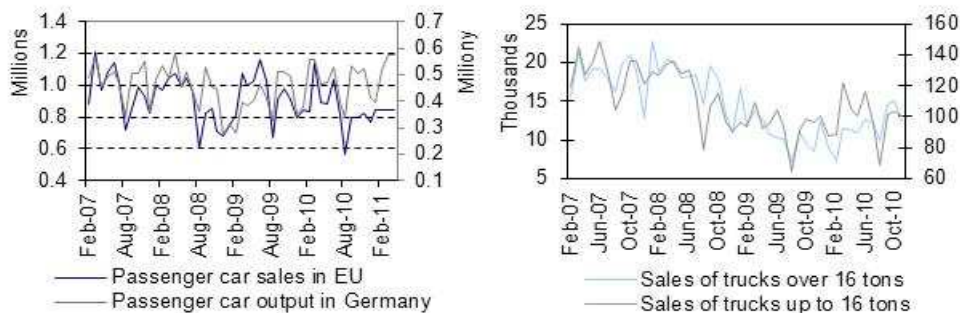


Source: Bloomberg

Automotive industry in Europe

Compared to manufacturing in general, the automotive industry is looking relatively weak in Europe, mostly in consequence of weak passenger car sales (+0.1% y/y in January following an 8.1% y/y plunge in 2010). In Germany, production did fall by 1.6% y/y in the first two months of 2011, but in 2010 the country's car makers had actually seen 16.8% y/y growth driven by aid programs. The sales of trucks under 3.5 tons improved considerably (+9.5% y/y in January-February, following a 4.7% y/y increase in 2010), as did the sales of vehicles above 16 tons (+57.9% y/y compared to 2.7% y/y growth in 2010).

Passenger car sales in EU (left scale), production in Germany (right scale) (millions of vehicles), truck sales in the EU (thousands of vehicles)



Source: Bloomberg

When looking at new car registrations in the European Union, we note several countries which experienced double-digit negative growth in this respect in Q3 and Q4 2010 (Spain, France, Italy). The situation was particularly bad in Italy and Spain: -21.7% y/y and -23.9% y/y, respectively, in December, and -25.8% y/y and -20.6% y/y in January-February. New car registrations were flat in December in France, but rose 11.2% y/y in January-February. In the UK, new car registrations declined by 17.9% y/y in December and by 10.2% y/y in January and February. Positive exceptions include Germany and Sweden. In the former case, new car registrations did decline y/y in 2010 (-23.4%), but this growth rate was getting less negative by the month, reaching 6.9% y/y in December, and then +15.8% y/y in January and February. In Sweden, new car registrations increased by over 10% y/y since the beginning of 2010 (+48.6% y/y in December, +22.1% y/y in January-February).

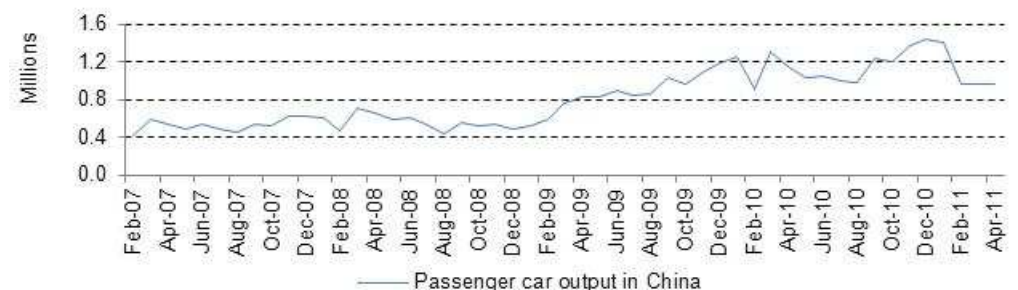
New car registrations in Spain, France and Germany (L) and Sweden, Italy and the UK (R) (percent change, y/y)



Source: Bloomberg

Car production has been rising very fast in the rapidly growing Far-Eastern countries such as China or India. In the former, vehicle output increased by 26.8% y/y in 2010 (+13.1% in January-February). The Chinese and Indian markets also offer very good perspectives for car components suppliers, who are increasingly inclined to relocate production there due to the countries' lower production costs.

Passenger car production in China (millions of units)



Source: Bloomberg

Car market in 2011

According to a Deloitte survey carried out between 6 September and 26 November 2010, companies from the automotive industry expect sales to increase in 2011 (55% of companies surveyed said that their markets would expand over the next six months). In addition, approximately one third of respondents claim that they would need to hire more employees in 2011, with just 11% believing that they would need to reduce employment. Expectations with regard to new investment are equally optimistic, with 47% of survey respondents saying that it was very likely in 2011, and 28% judging it possible.

According to a 2010 analysis by PricewaterhouseCoopers, in 2011 the automotive market will expand by 11% y/y in Eastern Europe and by 3% y/y in Western Europe. The situation is expected to consistently improve in Eastern Europe thanks to the region's gradual emergence from a recession and to the rising demand for new cars as the car fleet ages (in many Eastern European countries, the average age of a vehicle exceeds 10 years). In addition, the number of cars per capita is expected to gradually converge to Western European levels (253.4 per 1000 people vs. 507.5 per 1000 people).

In Western Europe, despite a decline in new car registrations to levels not observed since 1990, the market will be slow to recover due to the current high penetration rate. Moreover, car sales will not be supported by aid programs which many countries chose to implement in 2010. We do not expect a clear rise in new car registrations until 2013, when new models are marketed (car makers decided to reduce design work in 2009-2010 due to slow sales). Another factor of importance are new technologies aimed at reducing fuel consumption and emissions (hybrids).

New car registrations in Western and Eastern Europe in 2005-2013F

Year	Western Europe		Eastern Europe	
	New car registrations (millions)	y/y change	New car registrations (millions)	y/y change
2005	14.4		2.9	
2006	14.7	2%	3.3	14%
2007	14.7	0%	4.3	30%
2008	13.5	-8%	4.9	14%
2009	12.6	-7%	2.6	-47%
2010F	12.1	-4%	2.7	4%
2011F	12.5	3%	3.0	11%
2012F	12.9	3%	3.4	13%
2013F	14.2	10%	3.8	12%

Source: PricewaterhouseCoopers 2010 Automotive Review

In case of parts manufacturers, considerable shifts in the industry are expected in the near future, as production is moved to lower-cost locations. New suppliers with adequate know-how but lower costs will attract then attention of buyers.

Manufacturing in 2011

The Western European industrial sector enjoyed growth in the second and third quarters of 2010, fueled by favorable EUR/USD exchange rates and inventory rebuilding in the euro area. The euro's appreciation versus the dollar observed in the fourth quarter may lead to a slowdown in orders in the future. However, as of today there are no signals (in PMI or new order data) suggesting that the current upward trend in industrial production is going to change anytime soon.

2010 EUR/USD trends (USD)



Source: Bloomberg

Q4 2010 results

Consolidated revenues increased by 51.7% y/y in the fourth quarter, driven by the automotive segment (Maflow Poland), thanks to the acquisition of production assets in Q3 and Q4 2010 (in Poland in August 2010, in Italy in early October 2010, in Spain in October 2010, in Brazil and China in November 2010 and in France in December 2010). Revenues increased fast also in other areas such as bearings (by 41.3% y/y following a 35.7% y/y increase in steel prices), copper (by 38.1% y/y following 22.6% y/y sales growth at Hutmen, 14.3% y/y growth at WM Dziedzice and 33.4% y/y increase in copper prices) and aluminum (+25.7% y/y thanks to higher volumes at HAK, 26.3% y/y, and rising prices of aluminum, 19.7% y/y). In addition, revenues increased fast in polymers and polyesters (+15.2% y/y: Elana Branch, Torlen, Elana

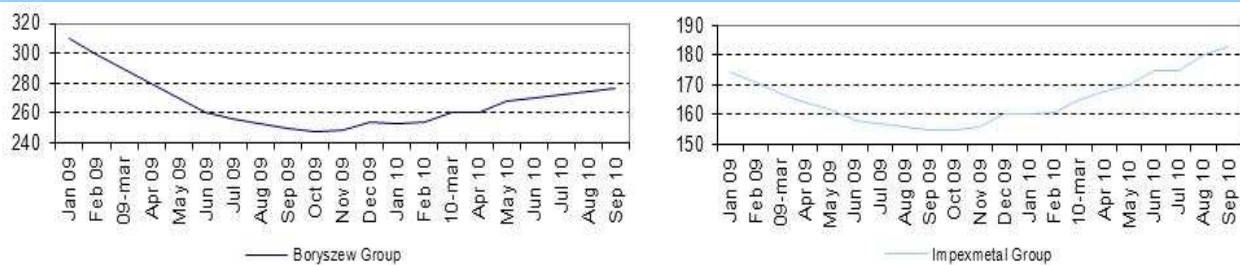
Energetyka and Elana PET), other chemicals (+24.8% y/y: Boryszew ERG, Elimer, Nylonbor), zinc and lead (+21.9% y/y: ZM Silesia, Baterpol, Polski Cynk, Huta Oława; Baterpol saw its sales volumes increase by 12.9% y/y, and ZM Silesia by 15.9%, while lead and zinc prices went up by 7.6% y/y and 7.4% y/y, respectively). In aggregate, the Company's subsidiaries increased volumes by 6% y/y.

Summary of Q4 2010 results

(PLN m)	2009	2010	Change	Q4 09	Q4 10	Change
Sales revenues	2 288.7	3 133.8	40.7%	601.4	912.3	51.7%
Polymers and polyesters	178.1	177.8	-0.1%	40.8	47.0	15.1%
Other chemicals	170.2	195.3	14.8%	41.4	51.7	24.8%
Automotive	0.0	194.7	-	0.0	130.1	-
Holding operations	1.2	1.3	5.1%	0.4	0.3	-29.7%
Aluminum	808.9	1 102.9	36.3%	226.9	285.1	25.7%
Zinc and lead	341.9	523.7	53.2%	115.8	141.1	21.9%
Copper	562.3	745.3	32.5%	141.2	194.9	38.1%
Bearings	200.6	300.9	50.0%	57.4	81.2	41.3%
Other	153.1	113.2	-26.1%	27.3	28.6	4.9%
EBIT	139.9	192.3	39.4%	49.5	50.9	3.0%
EBIT margin	6.1%	6.1%	-0.9%	8.2%	5.6%	-32.1%
EBTIDA	215.9	272.0	27.1%	66.7	73.0	9.4%
EBITDA margin	9.4%	8.7%	-9.7%	11.1%	8.0%	-27.9%
Net profit	39.7	90.4	127.4%	7.9	29.4	269.6%

Source: Boryszew S.A.

Sales: 12-month moving average (thousand tons)



Source: Boryszew S.A. BRE Bank Securities

Fourth-quarter operating earnings were boosted by PLN 19.2m in Maflow's goodwill. In addition, Elana Energetyka sold PLN 3.0m worth of CO₂ emission credits. After adjustment for one-offs, a clear improvement in operating earnings was recorded in the aluminum segment (HAK, NPA Skawina: +47.6% y/y, from PLN 11.1m to PLN 16.3m) and in bearings (+154.1% y/y, increase from PLN 1.9m to PLN 4.8m). In polymers and polyesters, the EBIT (excluding other operating income) amounted to -PLN 3.4m vs. -PLN 2.7m in Q4'09 (Elana Branch, Torlen, Elana Energetyka and Elana PET), and in other chemicals, PLN 3.0m compared to a -PLN 1.1m loss one year earlier. All told, excluding "other" operations, Boryszew's EBIT in Q4'10 was PLN 27.7m, representing a 25.6% y/y increase. Other net operating income/expenses were PLN 4.2m lower in Q4'10 than in Q4'09. (In Q4'09, Boryszew released provisions related to fixed asset disposals, as well as other provisions for a total of PLN 21.2m, while Impexmetal released PLN 6.5m provisions on account of the liquidation of its electrolysis unit; in addition, there were one-offs totaling PLN 4.9m at Hutmen, PLN 2.5m at ZM Silesia, PLN 2.4m at WM Dziedzice, PLN 1.8m at Elana Energetyka, as well as other one-offs totaling -PLN 3.6m).

Financing losses amounted to -PLN 17.9m compared to -PLN 36.3m in Q4'09, when the Company recognized a PLN 24m loss on the valuation of perpetual usufruct for Elana's land. At the bottom line, the Company earned PLN 29.4m compared to PLN 7.9m one year ago.

Boryszew's property holdings

Boryszew's value is enhanced by property ownership, including:

- a 5.700 square-meter land lot in central Warsaw (now housing Impexmetal headquarters);
- a 20.3 hectare property 4 kilometers from Wrocław (Hutmen's production facilities);
- 80 hectares in Katowice-Szopienice (an old manufacturing site), and a 13.5 hectare land lot 3 kilometers from the center of Katowice,
- ca. 100 hectares of land (with buildings) in Toruń.

The Warsaw lot will be sold after a building permit has been obtained. or (a less likely alternative) it will be developed to house an apartment building and an office building with a total usable floor area of 50,000 square meters. The former approach is the preferred one.

Estimated value of Boryszew's properties

Location	Area (hectares)	Value (PLN / m ²)	Value (PLN m)
Warsaw	0.57	13096	75.0
Wrocław	20.3	500	101.5
Katowice Szopienice	80.0	122	97.7
Katowice	13.5	200	27.0
Elana Toruń	100.0	150	150.0
Total			451.2

Source: BRE Bank Securities

The value of the property in Warsaw is estimated at PLN 75m (land with valid zoning decisions allowing for the construction of 50,000 square meters of usable floor area at PLN 1,500 per square meter of UFA), the property in Wrocław, estimated to be worth PLN 500/m² because of necessary demolition work and the presence of contaminants in the soil, the land in Katowice-Szopienice, valued at PLN 122/m² because of its location in an industrial neighborhood (the appraisal does not include buildings), the property in Katowice, valued at PLN 200/m² because of the need to demolish the old factory buildings and remove contaminants from the soil. The land in Toruń, which is located ca. 10 kilometers away from city center, has estimated value of PLN 150 per square meter, because no demolition or decontamination expenses will be required, and because the A1 motorway will be built in close proximity.

All in all, we value the Company's properties at PLN 451.2m (PLN 0.40 per share). Without minority interest, the value attributable to shareholders of the parent is PLN 247.0m or PLN 0.22 per share.

Potential acquisitions

Boryszew's main owner, Mr. Roman Karkosik, has told newspapers that the Company could go for further acquisitions in the automotive industry. At the moment, the Company is working on six such acquisitions.

The first one of them is Cablettra, a company which manufactures wiring systems and accessories for the automotive sector (wire harnesses for engines, brakes, steering and traction control systems). The company owns 16 production plants in Italy, Poland (Mikołów), China, Brazil and Tunisia. Cablettra has been in bankruptcy since mid-2009, when its hotel division fell into serious trouble. Its annual revenues are in the PLN 600-800m range. The Polish division of Cablettra, which cooperates with Fiat Auto Poland, is profitable, while foreign branches hover around the break even point. Because there are many more bidders for Cablettra than for Maflow (for which there was only one competing bid), the minimum price the administrator will accept is relatively high (PLN 244m). Both of these factors (high price and strong interest on the part of competitors) make the acquisition of Cablettra by Boryszew unlikely. The acquisition of a single unit rather than the entire company is a possibility.

Another potential acquisition target is Saargummi, a leading gasket maker. According to newspapers, its sales amounted to EUR 300m in 2010, and there are some 40 prospective buyers. Boryszew has made it to the second stage of negotiations.

The third potential target are Sebros Auto's plants near Pune (India) and in Faridabad. Which make automotive air conditioning hoses. In India, the products will be bought by Maflow's biggest customer, Volkswagen. The transaction should be finalized within some 4-5 weeks of the signing of the term sheet. The takeover will be effected by Boryszew's local subsidiary, Maflow India. In a longer term, Boryszew would like to make a stronger presence in India given the considerable potential of the local car market. In the early stages, the company will probably offer products from Maflow's current range.

The fourth potential acquisition target are the production facilities of the French company Sealynx Automotive Transieres (in liquidation), including its subsidiaries in Tunisia, Morocco

and Romania. The company specialty is the manufacture of car gaskets. At the end of 2010, it had 1160 employees and its biggest customers were car manufacturers, Renault, Peugeot/Citroen, Volkswagen, Ford, Daimler/Mercedes and Opel.

The final two potential acquisition opportunities include assets of a European automotive leader with a strong position in South America as well (1000 employees at 5 plants), and an unknown automotive company (Boryszew has signed a confidentiality agreement with its administrator, and will commence a business analysis).

Likely stock issue

Given the Company's acquisition plans for the near future, the shareholders have approved a share capital increase from PLN 112.8m to PLN 225.7m through the issue of 1128.5m G-stock shares with nominal value of PLN 0.10 each. The issue will take the form of a closed subscription carried through a public rights offering. The record date for preemptive rights will be 15 April 2011, and the offer price will be PLN 0.10 per share. The Company could thus obtain PLN 112.9m in new funds. On 25 March, Boryszew filed its prospectus for approval.

Management earnings guidance

Boryszew's financial targets for 2011 (verified by the auditor) include a revenue of PLN 3.9bn, an EBITDA of PLN 337m, an EBIT of PLN 240m and a net profit of PLN 176m. As far as metal price assumptions (in zloty) are concerned, ours differ markedly from the Management's only for copper (the price assumed by the Management being 14.2% lower than ours). For the other metals, the difference does not exceed 3%.

FY 2011 earnings guidance, our forecast

(PLN m)	Management earnings guidance	Our forecast
Sales revenues	3 936	4 110
EBITDA	337	334
EBIT	240	238
Net profit	176	177
EUR/PLN	3.9	3.9
USD/PLN	2.8	3.0
Aluminum (USD/t)	2 400	2 310
Copper (USD/t)	8 400	9 180
Lead (USD/t)	2 400	2 236
Zinc (USD/t)	2 450	2 251

Source: BRE Bank Securities

Valuation

Based on DCF analysis and relative valuation, we estimated Boryszew's per-share value at PLN 2.3. DCF valuation alone yields PLN 2.2 per share.

	Weight	Price
Relative valuation (PLN)	10%	1.6
DCF analysis (PLN)	90%	2.2
	Price	2.2
	9M Target Price	2.3

We assigned a 10% weight to relative valuation, and an 90% weight to DCF valuation.

Our relative valuation compares Boryszew to metal producers whose business profiles match Impexmetal and to companies resembling Boryszew's other subsidiaries (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.

**Multiples Comparison**

	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	9.8	8.0	6.7	4.3	3.8	3.5
AK STEEL HOLDING CORP	-	17.3	10.5	8.6	22.1	5.4	4.3	3.7
BLUESCOPE STEEL LTD	44.4	-	15.3	9.0	8.4	11.4	5.9	4.6
CRANE GROUP LTD	22.0	20.7	16.0	13.5	9.7	9.1	7.9	7.1
GRUPA KETY SA	13.0	12.3	11.2	10.6	8.1	7.2	6.6	6.3
MITSUI MINING & SMELTING CO	15.4	7.5	8.8	8.1	6.1	6.1	5.8	5.4
NORANDA ALUMINUM HOLDING COR	19.3	10.2	9.5	9.2	7.9	5.1	4.8	4.6
NORSK HYDRO ASA	37.3	15.5	12.4	11.9	14.6	7.1	5.9	5.3
NYRSTAR	13.8	7.7	5.7	3.7	9.9	5.2	4.1	2.9
ONESTEEL LTD	13.2	10.3	6.9	5.9	8.6	6.7	5.0	4.6
RELIANCE STEEL & ALUMINUM	23.3	13.2	10.4	9.6	11.3	7.5	6.2	6.0
SANYO SPECIAL STEEL CO LTD	-	8.1	7.1	6.5	16.1	4.5	4.2	3.6
SIDENOR STEEL PRODUCTS MANU	-	32.4	8.3	-	13.2	8.6	6.3	-
STEEL DYNAMICS INC	28.4	11.0	8.8	8.3	10.5	6.0	5.1	4.9
THAI METAL TRADE PCL	9.0	8.0	7.7	-	7.5	6.3	5.8	-
KONGSBERG AUTOMOTIVE HOLDING	113.7	11.8	6.8	4.6	8.0	5.8	4.7	4.0
DENSO CORP	26.8	14.0	13.1	10.5	5.3	4.6	4.6	3.9
EATON CORP	19.5	14.6	12.4	11.1	11.7	9.3	8.2	7.9
HEXPOL AB	14.3	10.7	9.7	8.8	13.5	8.7	7.9	7.4
PARKER HANNIFIN CORP	30.8	15.6	13.5	11.8	13.5	8.8	7.7	7.2
PLASTICS CAPITAL PLC	11.4	8.9	7.4	-	7.7	6.9	6.1	-
RIETER HOLDING AG-REG	68.6	15.9	13.2	13.3	7.9	5.4	4.9	4.7
SELAMAT SEMPURNA PT	10.6	9.6	8.5	-	6.5	5.8	5.3	-
SEMPERIT AG HOLDING	18.9	15.8	14.0	13.0	6.3	5.3	4.8	4.5
STERLITE INDUSTRIES INDIA LT	15.4	12.0	7.8	7.0	9.3	7.4	4.5	3.7
TOKAI RUBBER INDUSTRIES	-	9.3	8.5	6.7	-	2.1	2.0	1.9
VISTEON CORP	20.0	22.6	13.2	10.6	-	-	-	-
WALSIN LIHWA CORP	12.0	12.2	13.7	-	11.7	11.3	-	-
Maximum	113.7	32.4	16.0	13.5	22.1	11.4	8.2	7.9
Minimum	9.0	5.7	5.7	3.7	5.3	2.1	2.0	1.9
Median	19.3	12.0	9.7	9.0	8.9	6.3	5.2	4.6
Boryszew (adjusted*)	27.3	18.7	14.7	12.4	13.0	10.1	8.1	6.9
Boryszew	27.3	18.7	14.6	12.3	13.0	10.1	8.1	6.9
Premium (discount)	29.5%	36.1%	33.8%	27.3%	44.1%	50.5%	45.1%	39.4%
Implied price								
Median	19.3	12.0	9.7	9.0	8.9	6.3	5.2	4.6
Discount		0%	0%	0%		0%	0%	0%
Multiple weight				50%				50%
Year weight		10%	40%	50%		10%	40%	50%
Relative valuation	1.4							
Investment properties	0.18							
Equity value per share	1.6							

Source: BRE Bank Securities S.A., Bloomberg *ignoring the sale of the Szopienice property.

DCF valuation

Assumptions

- Growth rate after FY2020 = 3%.
- Risk-free rate is 6.2% (10Y T-bond yield).
- Future cash flows are discounted to their present value as at 1 April 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 44.3m in 2012, and PLN 88.9m in 2013.
- In 2011-2012, Impexmetal will incur investment outlays of PLN 35-36m (PLN 15-16m 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.
- 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 13.3m reduction in tax in 2011 and a PLN 13.3m reduction in 2012). 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 2013-2017 (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.

Other assumptions

Volumes ('000 tons)	2008	2009	2010	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	+
Boryszew	65.2	27.2	26.1*	26.6	27.2	27.7	28.3	28.8	29.4	30.0	30.6	31.2	31.8	32.5
Elana PET	6.8	6.8	6.5*	6.6	6.8	6.9	7.0	7.2	7.3	7.5	7.6	7.8	7.9	8.1
Torlen	-	3.5	3.7*	3.8	3.8	3.9	4.0	4.1	4.2	4.3	4.3	4.4	4.5	4.6
NPA Skawina	0.0	20.1	21.7*	22.8	23.9	26.3	37.3	37.7	38.1	38.5	38.9	39.2	39.6	40.0
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	161.1	147.6	190.7	197.0	201.0	205.0	209.1	213.3	217.5	221.9	226.3	230.8	235.5	238.4
Total	275.7	248.8	282.1	291.1	297.7	305.8	322.6	328.8	335.2	341.8	348.4	355.2	362.1	367.2
Metal prices		2009	2010	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	+
Aluminum (3M) USD		1 705	2 200	2 310	2 390	2 474	2 561	2 650	2 743	2 839	2 939	3 041	3 148	3 242
Aluminum (3M) PLN		5 313	6 635	6 897	7 067	7 241	7 420	7 602	7 829	8 063	8 303	8 551	8 806	9 070
Lead (3M) USD		1 738	2 171	2 236	2 315	2 396	2 480	2 566	2 656	2 749	2 845	2 945	3 048	3 139
Lead (3M) PLN		5 415	6 549	6 678	6 843	7 011	7 184	7 361	7 581	7 807	8 040	8 280	8 527	8 782
Zinc (3M) USD		1 688	2 186	2 251	2 330	2 411	2 496	2 583	2 674	2 767	2 864	2 964	3 068	3 160
Zinc (3M) PLN		5 260	6 592	6 722	6 888	7 058	7 232	7 410	7 631	7 858	8 093	8 334	8 583	8 840
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	27 412	22 215	21 072	20 861	20 653	20 549	20 447	20 344	20 243	20 142	20 142
Steel (3M) USD		361	486	565	585	605	627	649	671	695	719	744	770	782
Steel (3M) PLN		1 126	1 467	1 688	1 729	1 772	1 816	1 860	1 916	1 973	2 032	2 092	2 155	2 187
Brass (3M) USD		3 783	5 407	6 408	5 441	5 285	5 318	5 353	5 389	5 427	5 466	5 506	5 547	5 584
Brass (3M) PLN		11 790	16 308	19 136	16 084	15 466	15 409	15 356	15 382	15 411	15 444	15 479	15 518	15 621
USD / PLN		3.12	3.02	2.99	2.96	2.93	2.90	2.87	2.85	2.84	2.83	2.81	2.80	2.80
Change		29.3%	-3.2%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	0.0%
Aluminum (3M) USD		1 705	2 200	2 310	2 390	2 474	2 561	2 650	2 743	2 839	2 939	3 041	3 148	3 242

* estimates by BRE Bank Securities



Number of employees	2010	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	+
Impexmetal Group	2 103*	2 187	2 242	2 298	2 356	2 414	2 475	2 537	2 600	2 665	2 732	2 786
Other companies	3 126*	3 189	3 252	3 317	3 384	3 451	3 520	3 591	3 663	3 736	3 811	3 887
Total	5 229*	5 376	5 494	5 615	5 739	5 866	5 995	6 127	6 263	6 401	6 542	6 673

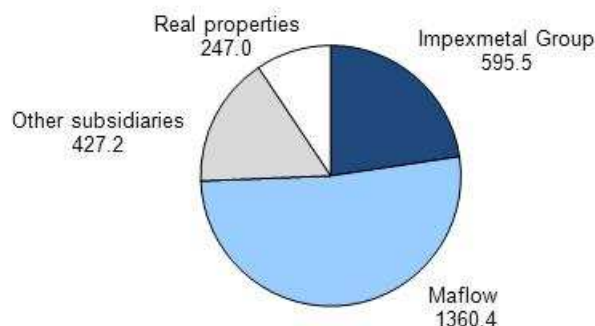
Average salary	2010	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	+
Average salary at Impexmetal (PLN thousand per month)	4.2*	4.4	4.5	4.7	4.9	5.0	5.2	5.4	5.6	5.8	6.0	6.2
Average salary at other companies (PLN thousand per month)	3.0*	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5	4.6	4.8	4.8
Average salary (PLN thousand per month)	2.9*	4.0	4.2	4.3	4.4	4.5	4.7	4.8	5.0	5.1	5.3	5.4

* estimates by BRE Bank Securities

Value of individual assets

In addition, we have established the value of individual assets. The value of the entire Boryszew group is PLN 2626.0m, which, given our FY11 net profit forecast, yields a P/E of 19.8. Our valuation puts the value of Impexmetal at PLN 592.4m (adjusted for minority interest), Maflow at PLN 1360.4m and the other companies at PLN 427.2m. The value of Boryszew's properties (attributable to shareholders of the parent) is PLN 247.0m.

Value of individual assets



Source: BRE Bank Securities

Value of individual assets

		2011F net profit	2012F net profit	2013F net profit	2011F P/E	2012F P/E	2013F P/E
Impexmetal	592.4	45.4	54.9	57.3	13.0	10.8	10.3
Maflow	1 360.4	60.3	83.7	98.4	22.6	16.3	13.8
Other subsidiaries	426.2	26.2	29.9	43.8	16.3	14.3	9.7
Real properties	247.0	0.5	0.8	1.2			
Total	2 626.0	132.4	169.2	200.7	19.8	15.5	13.1

Source: BRE Bank Securities



DCF Model

(PLN m)	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	+	
Sales revenues	4 110.0	4 174.7	4 414.8	4 683.0	4 846.4	5 030.2	5 222.1	5 422.1	5 630.6	5 848.0	6 026.6	
change	31.2%	1.6%	5.8%	6.1%	3.5%	3.8%	3.8%	3.8%	3.8%	3.9%	3.1%	
EBITDA	334.4	382.0	422.4	462.0	474.4	490.2	504.1	517.3	530.8	544.3	581.3	
EBITDA margin	8.1%	9.1%	9.6%	9.9%	9.8%	9.7%	9.7%	9.5%	9.4%	9.3%	9.6%	
D&A expenses	96.1	93.7	90.5	88.3	87.2	85.9	84.1	85.2	86.9	87.4	77.2	
EBIT	238.2	288.3	331.9	373.7	387.2	404.3	419.9	432.1	443.9	456.9	504.1	
EBIT margin	5.8%	6.9%	7.5%	8.0%	8.0%	8.0%	8.0%	8.0%	7.9%	7.8%	8.4%	
EBIT tax	24.9	35.7	52.9	61.5	64.3	67.8	71.0	79.2	81.7	84.4	93.6	
NOPLAT	213.3	252.7	279.1	312.3	322.9	336.5	348.9	352.9	362.2	372.5	410.5	
CAPEX*	-46.7	-44.7	-43.0	-51.5	-52.0	-52.6	-53.1	-53.6	-54.1	-54.7	-77.2	
of which divestments*	2.4	4.3	6.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Working capital	-66.9	-9.0	-33.4	-37.3	-22.7	-25.6	-26.7	-27.8	-29.0	-30.2	-24.8	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCF	195.9	292.7	293.1	311.7	335.3	344.3	353.3	356.7	365.9	375.0	385.7	
WACC	10.5%	11.0%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	
discount factor	0.93	0.83	0.75	0.67	0.60	0.54	0.49	0.44	0.39	0.36	0.32	
PV FCF	181.8	244.0	218.9	209.4	202.5	187.0	172.6	156.7	144.5	133.2	123.2	
WACC	10.45%	10.96%	11.20%	11.20%	11.20%	11.20%	11.20%	11.20%	11.20%	11.20%	11.20%	
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	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	
Risk premium	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	
Effective tax rate	12.38%	13.84%	17.16%	17.39%	17.46%	17.53%	17.59%	19.00%	19.00%	19.00%	19.00%	
Net debt / EV	13.3%	4.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Cost of equity	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	
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		4 703.5	FCF growth in perpetuity									
Present value of terminal value (PV TV)	1 670.7	0.0%					1.0%	3.0%	4.0%	5.0%		
Present value of FCF in the forecast horizon	1 850.4	WACC +1.0pp	1.7	1.8	2.0	2.2	2.4					
Enterprise value	3 521.2	WACC +0.5pp	1.8	1.9	2.2	2.4	2.6					
Net debt	646.2	WACC	2.0	2.1	2.4	2.6	2.9					
Other non-operating assets	188.0	WACC -0.5pp	2.1	2.3	2.6	2.9	3.2					
Minority interests	563.4	WACC 1.0PP	2.3	2.4	2.9	3.2	3.6					
Equity value	2 499.5											
Number of shares (millions)	1 128.4											
Value per share (PLN)	2.2											
9M cost of equity	8.3%											
Target Price	2.4											
EV/EBITDA for the target price	10.0											
P/E ('11) for the target price	20.4											
TV to EV	47.4%											

* after minority interests

**Income Statement**

(PLN m)	2009	2010	2011F	2012F	2013F	2014F	2015F	2016F	2017F
Sales revenues	2 288.7	3 133.8	4 110.0	4 174.7	4 414.8	4 683.0	4 846.4	5 030.2	5 222.1
change	-28.8%	36.9%	31.2%	1.6%	5.8%	6.1%	3.5%	3.8%	3.8%
Boryszew	89.9	81.1*	83.5	86.0	88.6	91.3	94.1	96.9	99.8
Maflow	0.0	194.7*	780.3	858.4	987.1	1 016.8	1 047.3	1 078.7	1 111.0
Elana Energetyka	36.2	33.7*	34.4	35.1	35.8	36.5	37.2	38.0	38.7
Elana PET	25.0	25.4*	26.2	27.0	27.8	28.6	29.5	30.4	31.3
Torlen	28.1	31.0*	31.9	32.9	33.9	34.9	35.9	37.0	38.1
NPA Skawina	149.4	201.0*	221.6	240.8	274.1	402.6	420.8	442.0	464.4
Boryszew ERG	162.0	183.4*	189.9	196.6	203.5	210.7	218.1	225.8	233.7
Izolacja Matizol	59.4	0.0*	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ZTiF Złoty Stok	27.4	0.0*	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impexmetal Group	1 717.5	2 417.6	2 733.7	2 689.4	2 755.3	2 853.0	2 954.8	3 072.5	3 196.0
COGS	2 065.0	2 810.6	3 619.5	3 628.2	3 816.7	4 035.8	4 181.6	4 344.0	4 515.9
G&A expenses	132.7	145.3	185.6	190.0	196.0	201.6	204.6	207.6	210.7
Selling expenses	53.7	56.2	66.7	68.2	70.1	71.9	73.1	74.3	75.5
Other net operating income/expenses	99.0	70.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	139.9	192.3	238.2	288.3	331.9	373.7	387.2	404.3	419.9
change	-298.1%	37.5%	23.9%	21.0%	15.1%	12.6%	3.6%	4.4%	3.9%
EBIT margin	6.1%	6.1%	5.8%	6.9%	7.5%	8.0%	8.0%	8.0%	8.0%
Financing income / expenses	-68.9	-40.7	-37.2	-30.7	-23.7	-20.4	-19.1	-17.7	-16.3
Extraordinary income/expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	71.0	151.6	201.0	257.6	308.2	353.4	368.1	386.6	403.6
Tax	6.2	19.2	24.9	35.7	52.9	61.5	64.3	67.8	71.0
Minority interests	12.0	34.3	44.2	53.5	55.9	57.3	59.8	63.4	66.2
Gain on property sales (after tax)	0.0	-7.7	0.5	0.8	1.2	0.0	0.0	0.0	0.0
Net profit	39.7	90.4	132.4	169.3	200.7	234.6	244.0	255.4	266.4
change	-123.9%	127.4%	46.5%	27.8%	18.6%	16.9%	4.0%	4.7%	4.3%
margin	1.7%	2.9%	3.2%	4.1%	4.5%	5.0%	5.0%	5.1%	5.1%
D&A expenses	76.1	79.7	96.1	93.7	90.5	88.3	87.2	85.9	84.1
EBITDA	215.9	272.0	334.4	382.0	422.4	462.0	474.4	490.2	504.1
change	471.6%	26.0%	22.9%	14.2%	10.6%	9.4%	2.7%	3.3%	2.8%
EBITDA margin	9.4%	8.7%	8.1%	9.1%	9.6%	9.9%	9.8%	9.7%	9.7%
Shares at year-end (millions)	62.7	1 128.4	1 128.4	1 128.4	1 128.4	1 128.4	1 128.4	1 128.4	1 128.4
EPS	0.6	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
CEPS	1.8	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
ROAE	9.5%	14.6%	17.0%	17.2%	17.8%	20.2%	20.4%	20.6%	20.9%
ROAA	1.9%	3.9%	5.1%	6.1%	6.8%	7.7%	7.9%	8.1%	8.3%

* estimates by BRE Bank Securities

**Balance Sheet**

(PLN m)	2009	2010	2011F	2012F	2013F	2014F	2015F	2016F	2017F
ASSETS	2 043.7	2 344.0	2 572.1	2 787.1	2 959.3	3 032.5	3 091.1	3 155.2	3 221.2
Fixed assets	1 090.6	1 246.0	1 184.9	1 113.2	1 029.7	993.5	959.2	926.8	896.7
Intangible assets	56.7	57.9	55.0	52.2	49.3	46.4	43.6	40.8	38.0
Property, plant and equipment	815.4	986.3	928.2	859.4	778.7	745.4	713.9	684.3	657.1
Goodwill	23.5	39.9	39.9	39.9	39.9	39.9	39.9	39.9	39.9
Long-term receivables	0.8	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Long-term investment	148.0	134.9	134.9	134.9	134.9	134.9	134.9	134.9	134.9
Prepayments	46.2	26.5	26.5	26.5	26.5	26.5	26.5	26.5	26.5
Current assets	953.2	1 098.0	1 387.1	1 673.9	1 929.6	2 039.0	2 131.9	2 228.4	2 324.5
Inventories	341.1	409.1	463.4	470.7	497.8	528.1	546.5	567.2	588.8
Current receivables	441.5	588.0	666.2	676.6	715.6	759.0	785.5	815.3	846.4
Trade debtors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term investment	117.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Cash	51.5	82.1	238.5	507.5	697.1	732.6	780.6	826.5	869.8
Prepayments	1.7	1.5	1.7	1.7	1.8	1.9	2.0	2.0	2.1
(PLN m)	2009	2010	2011P	2012P	2013P	2014P	2015P	2016P	2017P
EQUITY AND LIABILITIES	2 043.7	2 344.0	2 572.1	2 787.1	2 959.3	3 032.5	3 091.1	3 155.2	3 221.2
Equity	417.9	617.3	779.6	985.9	1 125.4	1 162.1	1 198.4	1 237.5	1 277.4
Share capital	15.4	122.0	225.7	225.7	225.7	225.7	225.7	225.7	225.7
Supplementary capital	2.8	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Retained earnings	369.4	466.5	598.9	768.2	888.6	912.0	936.4	962.0	988.6
Minority interests	477.7	517.8	517.8	517.8	517.8	517.8	517.8	517.8	517.8
Long-term liabilities	122.1	153.6	153.6	153.6	153.6	153.6	153.6	153.6	153.6
Debt	113.7	146.5	146.5	146.5	146.5	146.5	146.5	146.5	146.5
Current liabilities	923.0	964.8	1 030.3	1 039.1	1 071.7	1 108.2	1 130.4	1 155.4	1 181.5
Trade creditors	280.6	403.8	457.5	464.7	491.4	521.3	539.5	559.9	581.3
Debt	534.2	471.7	471.7	471.7	471.7	471.7	471.7	471.7	471.7
Provisions	90.8	89.7	89.7	89.7	89.7	89.7	89.7	89.7	89.7
Other	0.0	0.7	0.9	0.9	1.0	1.1	1.1	1.1	1.2
Debt	647.9	618.3	618.3	618.3	618.3	618.3	618.3	618.3	618.3
Net debt	596.4	536.2	379.7	110.8	-78.8	-114.4	-162.4	-208.2	-251.5
(Net debt / Equity)	142.7%	86.9%	48.7%	11.2%	-7.0%	-9.8%	-13.5%	-16.8%	-19.7%
(Net debt / EBITDA)	2.8	2.0	1.1	0.3	-0.2	-0.2	-0.3	-0.4	-0.5
BVPS	6.7	0.5	0.7	0.9	1.0	1.0	1.1	1.1	1.1

**Cash Flows**

(PLN m)	2009	2010	2011F	2012F	2013F	2014F	2015F	2016F	2017F
Cash flows from operating activities	263.5	71.0	227.3	319.6	298.7	318.6	338.7	346.0	352.4
Net profit	39.7	90.4	132.4	169.3	200.7	234.6	244.0	255.4	266.4
D&A expenses	76.1	79.7	96.1	93.7	90.5	88.3	87.2	85.9	84.1
Working capital	20.0	-89.6	-66.9	-9.0	-33.4	-37.3	-22.7	-25.6	-26.7
Minority dividends	0.0	0.0	-15.2	-17.7	-37.4	-44.7	-48.7	-50.9	-53.9
Other	127.7	-9.5	80.9	83.4	78.4	77.6	78.9	81.1	82.6
Cash flows from investing activities	91.48	-1.53	-33.67	-20.02	-5.05	-51.52	-52.03	-52.55	-53.08
CAPEX	77.61	-60.26	-33.67	-20.02	-5.05	-51.52	-52.03	-52.55	-53.08
of which divestments	0.00	7.34	10.49	19.40	30.01	0.00	0.00	0.00	0.00
Equity investment	13.60	58.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash flows from financing activities	-371.2	-39.8	-37.2	-30.7	-104.0	-231.5	-238.7	-247.5	-256.1
Debt	-201.6	-59.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	-47.7	-49.5	-42.0	-42.0	-42.0	-42.0	-42.0	-42.0	-42.0
Dividends/buyback/share issue	0.1	106.6	0.0	0.0	-80.3	-211.2	-219.6	-229.8	-239.7
Other	-169.7	-86.6	-37.2	-30.7	-23.7	-20.4	-19.1	-17.7	-16.3
Change in cash	-16.2	30.6	156.5	268.9	189.6	35.5	48.0	45.9	43.3
Cash at period-end	51.5	82.1	238.5	507.5	697.1	732.6	780.6	826.5	869.8
DPS (PLN)	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.2	0.2
FCF	295.0	102.8	195.9	292.7	293.1	311.7	335.3	344.3	353.3
(CAPEX / Sales)	3.4%	-1.9%	-1.1%	-1.1%	-1.0%	-1.1%	-1.1%	-1.0%	-1.0%

Market multiples

	2009	2010	2011F	2012F	2013F	2014F	2015F	2016F	2017F
P/E	3.5	27.3	18.7	14.6	12.3	10.5	10.1	9.7	9.3
P/CE	1.2	14.5	10.8	9.4	8.5	7.7	7.5	7.2	7.1
P/BV	0.3	4.0	3.2	2.5	2.2	2.1	2.1	2.0	1.9
P/S	0.1	0.8	0.6	0.6	0.6	0.5	0.5	0.5	0.5
FCF/EV	40.2%	3.4%	6.9%	11.3%	12.3%	13.2%	14.5%	15.2%	15.9%
EV/EBITDA	5.6	13.0	10.1	8.1	6.9	6.2	6.0	5.7	5.4
EV/EBIT	8.7	18.3	14.1	10.8	8.8	7.7	7.3	6.9	6.5
EV/S	0.5	1.1	0.8	0.7	0.7	0.6	0.6	0.6	0.5
DYield	0.00%	0.00%	0.00%	0.00%	3.25%	8.55%	8.89%	9.30%	9.70%
Price (PLN)	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19
Shares at year-end (millions)	62.7	1 128.4	1 128.4	1 128.4	1 128.4	1 128.4	1 128.4	1 128.4	1 128.4
MC (PLN m)	137.3	2 471.1	2 471.1	2 471.1	2 471.1	2 471.1	2 471.1	2 471.1	2 471.1
Equity attributable to minority shareholders (PLN m)	477.7	517.8	517.8	517.8	517.8	517.8	517.8	517.8	517.8
EV (PLN m)	1 211.4	3 525.1	3 368.7	3 099.7	2 910.1	2 874.5	2 826.6	2 780.7	2 737.4



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**List of abbreviations and ratios contained in the report:**

EV – net debt + market value

EBIT – Earnings Before Interest and Taxes

EBITDA – EBIT + Depreciation and Amortisation

P/CE – price to earnings with amortisation

MC/S – market capitalisation to sales

EBIT/EV – operating profit to economic value

P/E – (Price/Earnings) – price divided by annual net profit per share

ROE – (Return on Equity) – annual net profit divided by average equity

P/BV – (Price/Book Value) – price divided by book value per share

Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents

EBITDA margin – EBITDA/Sales

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ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%

HOLD – we expect that the rate of return from an investment will range from –5% to +5%

REDUCE – we expect that the rate of return from an investment will range from -5% to -15%

SELL – we expect that an investment will bear a loss greater than 15%

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