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Europe | Poland | Lighting Equipment

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RESEARCH GmbH

Update

BUY

Price target: PLN 5.70

Overview

Industry:	Lighting Equipment
Country:	Poland
ISIN:	PLLUG0000010
Reuters:	LUG.WA
Bloomberg:	LUG PW
Website:	www.lug.com.pl

Last price:		3.85
	High	Low
Price 52 weeks:	4.60	3.12
Market cap. (PLNm)		27.71
No of shares (m)		7.20
Average volume (shares)		2,996

Shareholders

Ryszard Wtorkowski	37.10%
OPERA TF S.A.	17.60%
Iwona Wtorkowska	15.56%
Free float	29.74%

Performance

4 weeks	-8.33%
13 weeks	-13.29%
26 weeks	7.54%
52 weeks	16.31%
YTD	22.22%

Dividend

	in PLN	in %
2011	0.00	0.00%
2012	0.01	0.26%
2013	0.01	0.26%
2014E	0.01	0.26%

LUG S.A.

H1/14 was better than expected

- Since the beginning of 2014, LUG's business has developed much better than we had previously anticipated due to a very robust Polish economy. The company's H1/14 figures were very strong and especially on the net income level beat our expectations. As sales in Poland increased by 22.9% to PLN 25.2m, total revenues came in at PLN 53.9m, or 11.2% higher y-o-y. EBIT (+56.7% to PLN 1.9m) and net income (+70.2% to PLN 1.5m) increased even more resulting from a better costs structure.
- In H1/14, LUG generated an operating cash flow of PLN -2.1m after PLN 1.2m last year. The reasons were investments in working capital of PLN 5.2m (H1/13: PLN 0.4m). As cash flow from investing equaled PLN -1.1m (H1/13: PLN -0.1m), FCF reached PLN -3.2m (PLN 1.1m). In total, the cash position had declined by PLN 3.3m to PLN 0.3m since the beginning of 2014.
- While H2/14 is usually stronger in the lighting industry, we have adjusted our estimates for LUG in order to reflect better-than-expected first six months of 2014 and a strong outlook. We believe the company's positive momentum will continue into 2015 as according to some researchers, the Polish economy could grow at >4% y-o-y then. While EU infrastructure subsidies should spur domestic demand, we believe that the main growth driver for LUG will be international markets, which in H1/14 accounted for 53% of total sales. Especially, in the LED segment, which according to McKinsey is expected to reach c. EUR 50bn by 2020 (after just EUR 1.4bn in 2011), LUG is very competitive due to its high-quality design and attractive pricing.
- We have increased our 12-months price target for LUG (80% DCF, 20% peer-group-based fair value) from previously PLN 5.20 to PLN 5.70. The reasons are higher estimates for 2014 as well as lower WACC (10% vs. 11.3% before). While we maintain our BUY rating for the stock, we would like to emphasize some factors, which could negatively affect results in the coming quarters: (1) higher-than-expected costs of the new plant for LED components in Nowy Kisielin and (2) negative effect of the Ukraine crisis on the European economy resulting in lower-than-expected demand for LUG's products.

in PLNm	2011	2012	2013	2014E	2015E	2016E
Net sales	94.53	101.96	102.76	108.92	117.96	134.48
EBITDA	9.16	6.17	5.76	6.64	6.84	9.68
EBIT	5.94	2.89	2.61	3.16	3.07	5.38
Net income	3.67	3.05	1.51	2.20	2.07	4.55
EPS	0.02	0.42	0.21	0.31	0.29	0.63
Tangible BVPS	0.20	5.31	5.52	5.82	6.11	6.55
RoE	10.44%	8.11%	3.88%	5.39%	4.82%	9.98%
EBIT margin	6.28%	2.84%	2.54%	2.90%	2.60%	4.00%
P/E	192.50x	9.09x	18.33x	12.60x	13.40x	6.09x
P/Tangible BVPS	19.10x	0.73x	0.70x	0.66x	0.63x	0.59x
EV/EBITDA	5.10x	7.57x	8.11x	7.03x	6.83x	4.82x

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1 Company profile

LUG S.A., which is based in Zielona Gora (c. 180 km from the German border), develops and manufactures lighting fittings for the public, industrial, infrastructure and commercial sector as well as retail clients. The company offers >600 different products, which are developed in-house. LUG has been listed in the NewConnect segment of the Warsaw Stock Exchange since 2007 and currently has 399 employees (30 June 2014).

2 SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> - Leading provider of high-quality lighting fittings in Poland - Focus on latest technology and sophisticated design allows to generate higher margins - Most of LUG's clients are from the sectors infrastructure, industrial and public; in most countries, where LUG operates, the need for modernisation is high in these areas - Strong and quickly expanding export sales; LUG currently sells its products to 50 countries in Europe, Asia, North Africa, Middle East and South America; has local offices in Germany, Ukraine, UAE, UK, France and Brasil - LUG has been profitable in 7 of the last 8 years; since 2005, it has always generated positive operating cash flows; at the same time sales CAGR equaled 16.5% - LUG is a family-owned business with the Wtorkowski family currently owning 52.7% of the shares - Location in an special economic zone saves LUG PLN 14m in taxes until 2014 - Investor Relations is one of the best in the NewConnect segment - Despite high investments, net gearing totalled 48.1% at the end of June 2014 	<ul style="list-style-type: none"> - Compared to its major international competitors Philips and Zumtobel, LUG is a small company with limited financial capabilities - Listing in the NewConnect segment of the WSE, which is illiquid and intransparent - High CAPEX until 2015 relating to the new production facility in Nowy Kisielin - LUG has missed its primary guidance in the last two years
Opportunities	Threats
<ul style="list-style-type: none"> - Higher production capacity after completion of new production facility in 2015 - New products, especially components targeting the LED segment, which according to McKinsey is forecast to reach 52-63% of the EUR 83bn general lighting market by 2020 (2011: 1-4% of EUR 55bn) - Solid growth in Poland due to recovering economy, still high need for modernisation and steady inflow of EU funds - Expansion into new markets, where LUG can either win due to its attractive pricing or growth prospects are highly interesting due to booming construction sectors and high need for modernisation - According to LUG, 75% of lighting installations in Europe is more than 25 years old; EU plans to increase energy efficiency by 20% within the next six years - Change to the more liquid main market of the Warsaw Stock Exchange, which would bring the stock on the radar of more institutional investors - After 2015, yearly dividend payout ratios of c. 30% should be possible in our opinion (KRe) 	<ul style="list-style-type: none"> - Intensifying competition - Risks relating to the economic cycle and the condition of the construction sector, on which LUG's business depends - Loss of key employees - Currency risks as LUG generates c. 50% of its sales abroad; however, are reduced through hedging and material purchases abroad - Risks relating to global expansion e.g. wrong estimation of market potential - Risks relating to seasonality, with Q3 and Q4 usually being the best in terms of sales - Potential negative effects of the Ukraine crisis on demand for LUG's products in Europe

3 Valuation

In order to account for current market valuations, we have valued LUG by using a weighted average of our DCF model (80%) and a peer-group-based fair value (20%). Our 12-months price target for LUG's stock equals PLN 5.70, which implies an upside of 48% at present.

Discounted Cash Flow method (DCF)

Discounted Cash Flow Model (Basis 9/2014)

in PLNm	Phase 1								
	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Net sales	108.92	117.96	134.48	145.24	155.40	164.73	172.97	179.88	185.28
(y-o-y change)	6.0%	8.3%	14.0%	8.0%	7.0%	6.0%	5.0%	4.0%	3.0%
Operating profit	3.16	3.07	5.38	7.26	8.86	9.19	9.43	9.59	9.65
(operating margin)	2.9%	2.6%	4.0%	5.0%	5.7%	5.6%	5.5%	5.3%	5.2%
NOPLAT	3.16	3.07	5.38	7.26	7.18	7.44	7.64	7.77	7.82
+ Depreciation & Amortization	3.49	3.77	4.30	4.65	4.97	5.27	5.53	5.76	5.93
= Net operating cash flow	6.64	6.84	9.68	11.91	12.15	12.71	13.18	13.52	13.75
- Total investments (Capex and WC)	-7.88	-9.08	-8.35	-7.41	-7.64	-7.83	-7.87	-7.81	-7.64
Capital expenditures	-7.04	-6.93	-4.63	-4.88	-5.20	-5.48	-5.72	-5.92	-6.07
Working capital	-0.84	-2.15	-3.71	-2.53	-2.44	-2.35	-2.15	-1.89	-1.57
= Free cash flow (FCF)	-1.24	-2.24	1.34	4.50	4.51	4.88	5.30	5.71	6.10
PV of FCFs	-1.20	-1.98	1.07	3.29	3.00	2.95	2.91	2.85	2.77

PV of FCFs in explicit period 15.67
 PV of FCFs in terminal period 43.84

Enterprise value (EV) 59.50
 + Net cash / - net debt (30 June 2014) -18.99

Shareholder value 40.23

Number of shares outstanding (m) 7.20

WACC	10.0%
Cost of equity	12.3%
Debt costs before tax	8.0%
Tax rate	19.0%
Debt costs after tax	6.5%
Equity ratio	60.0%
Debt ratio	40.0%
Fair value per share in PLN	5.59
Fair value per share in PLN (in 12 months)	6.15

Sensitivity Analysis		Terminal EBIT margin						
		2.3%	3.3%	4.3%	5.3%	6.3%	7.3%	8.3%
WACC	7.0%	4.58	7.96	11.34	14.72	18.10	21.48	24.86
	8.0%	3.21	5.71	8.22	10.72	13.22	15.72	18.22
	9.0%	2.28	4.21	6.14	8.07	10.00	11.93	13.86
	10.0%	1.59	3.12	4.66	6.19	7.72	9.26	10.79
	11.0%	1.06	2.30	3.55	4.79	6.04	7.28	8.53
	12.0%	0.63	1.66	2.69	3.71	4.74	5.77	6.80

Source: Dr. Kalliwoda Research GmbH

Peer Group Analysis

In our peer group analysis, we have used two kinds of peers: first, Zumtobel AG and OSRAM Licht AG, LUG's two main international competitors, and second, its Polish competitors ES-System S.A. and Lena Lighting S.A. In case of the Polish peers, we have only been able to use multiples based on historical 2013 figures as for both companies there are no current analyst' estimates available.

- (1) *Zumtobel AG*: Zumtobel, which is based in Dornbirn/Austria, is an Austrian company engaged in the provision of lighting solutions, luminaries, light management systems and lighting components for interior and exterior applications. Its Lighting segment provides luminaries, lighting management and lighting solutions for indoor and outdoor applications, and comprises the brands Zumtobel and Thorn, as well as original equipment manufacturer (OEM) brand Reiss. On the other hand, the Components segment is focused primarily on the development and marketing of control gear for conventional lighting components, light-emitting diodes (LED) converters and

LED/organic light-emitting diode (OLED) modules, lighting management systems and connection technology under the Tridonic brand. In fiscal-year 2013/14, Zumtobel had revenues of EUR 1.2bn.

- (2) *OSRAM Licht AG*: OSRAM, which is based in Munich/Germany, is a former label of Siemens AG. The company develops and manufactures lamps, lighting systems, electronic control gears, as well as complete luminaries, light management systems and lighting solutions. It offers various types of products, including Light Emitting Diodes (LED) and halogen technologies dedicated to both indoor and outdoor environments. In 2012/13, Osram generated revenues of EUR 5.3bn.
- (3) *ES-System S.A.*: ES-System SA, which is based in Krakow, is a Polish company that designs, manufactures and distributes lighting systems and luminaries. Its products are used for illuminating offices, commercial, public and industrial facilities, open spaces, railways, streets and parks. In 2013, ES-System generated sales of PLN 166.4m.
- (4) *Lena Lighting S.A.*: Lena Lighting SA, which is based in Sroda Wielkopolska, is a Polish manufacturer of lighting fittings. The company's offering comprises interior, machine, portable and exterior lighting, floodlighting as well as electro-technical articles, such as electronic transformers and extension leads. In addition, it offers design software, Prometheus 3.0, which is used to design lighting in closed rooms. In 2013, Lena Lighting generated revenues of PLN 100.7m.

Company	EV/EBITDA		EV/EBIT		P/E		P/BVPS	EBITDA margin	Net gearing
	2014E	2015E	2014E	2015E	2014E	2015E	Latest	2013	Latest
Zumtobel AG (EUR)	6.68	5.54	13.40	9.37	17.63	11.30	2.14	9.80%	39.99%
OSRAM Licht AG (EUR)	5.03	5.04	9.53	9.24	16.41	14.72	1.49	11.50%	-17.52%
Median	5.86	5.29	11.47	9.31	17.02	13.01	1.81	10.65%	11.24%
LUG S.A. (PLN)	7.03	6.83	14.78	15.23	12.60	13.40	0.70	5.60%	47.72%
<i>Premium/Discount</i>	20.04%	29.05%	28.92%	63.60%	-25.93%	2.97%	-61.59%		
Fair value LUG (PLN)	3.98								

Company	EV/EBITDA	EV/EBIT	P/E	P/BVPS	EBITDA margin	Net gearing
	2013	2013	2013	Latest	2013	Latest
Lena Lighting S.A. (PLN)	6.76	8.85	10.46	1.14	13.90%	-1.90%
ES-System S.A. (PLN)	6.07	15.35	20.00	0.69	8.05%	-14.40%
Median	6.42	12.10	15.23	0.91	10.98%	-8.15%
LUG S.A. (PLN)	8.11	17.88	18.33	0.70	5.60%	47.72%
<i>Premium/Discount</i>	26.40%	47.80%	20.38%	-23.79%		
Fair value LUG (PLN)	3.12					

Source: Dr. Kalliwoda Research GmbH, Thomson Reuters Eikon

The average fair value of our two peer groups equals PLN 3.55.

Price target calculation

Valuation method	Fair value	Weight
DCF model	5.59	80%
Peer group analysis	3.55	20%
Weighted average (present value)		
	5.18	
In 12-months (PV * (1+WACC))		
	5.70	

Source: Dr. Kalliwoda Research GmbH

4 H1/14 results and outlook**Revenues**

In H1/14, LUG generated net sales of PLN 53.9m, which were 11.2% higher y-o-y. While in Poland revenues increased by 22.9% to PLN 25.3m following robust economic growth, export sales grew by just 3% due to a very high basis in H1/13. Between January and June 2014, LUG generated 47% of its revenues in Poland and 53% abroad.

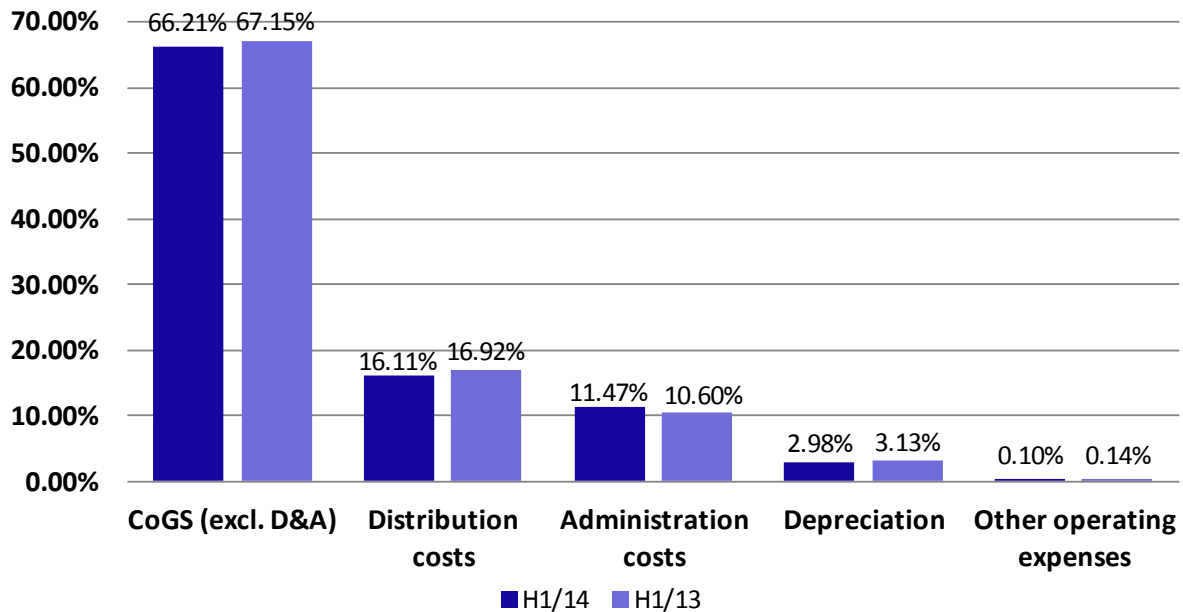
H1/14 results compared to previous year

H1/14 results vs. previous year			
in PLNm	H1/14	H1/13	change y-o-y
Net sales	53.89	48.48	11.2%
EBITDA	3.52	2.74	28.4%
EBITDA margin	6.5%	5.7%	
EBIT	1.92	1.22	56.7%
EBIT margin	3.6%	2.5%	
Net income	1.49	0.88	70.2%
Net margin	2.8%	1.8%	

Source: Company information, Dr. Kalliwoda Research GmbH

Profitability

Share in total sales H1/14 vs. H1/13



Source: Company information, Dr. Kalliwoda Research GmbH

In H1/14, LUG's EBIT and net income increased by 56.7% to PLN 1.9m and 70.2% to PLN 1.5m respectively. Profitability improved more than sales due to a better cost structure. Net income was additionally positively affected by minorities (PLN -70k vs. PLN -53k), which in our opinion stemmed from a higher loss of the 65% subsidiary LUG do Brasil Ltda.

Balance Sheet and Cash Flow

As of 30 June 2014, LUG had equity of PLN 39.5m, which corresponded to a ratio of 49.6%. Compared to H1/13, total assets increased from PLN 78.8m to PLN 79.6m, which in our view mainly stemmed from investments relating to foreign subsidiaries, the new production facility in Nowy Kisielin as well as R&D activities. At the end of June 2014, LUG had interest-bearing debt of PLN 19.3m, thereof 85.9% short-term. While liquid funds amounted to PLN 0.3m, net debt equaled PLN 19m and net gearing 48.1%.

In H1/14, LUG generated an operating cash flow of PLN -2.1m compared to PLN 1.2m last year. The reason were investments in working capital of PLN 5.2m (H1/13: PLN 0.4m). As cash flow from investing and financing equaled PLN -1.1m (PLN -0.1m), respectively PLN -0.2m (PLN -1.4m), LUG's cash position declined in the period Jan-Jun 2014 by PLN 3.3m to PLN 0.3m.

Outlook

Although the first two quarters of the year are usually being used for preparation of a large volume of projects in the second half of the year – e.g. in 2011-2013, LUG generated 53-57% of its full-year revenues in H2 – the company's H1/14 figures were very strong, especially on the bottom line. With four consecutive quarters of increasing GDP q-o-q and expected >4% growth in 2015, the Polish economy shows a very robust development, which positively correlates with LUG's business. Additional factors, which should positively affect the company's results in the near future, are (1) a steady inflow of EU subsidies for infrastructure projects and (2) a recent reform of the Polish construction law, which simplifies the approval process for new projects.

We have adjusted our estimates for 2014 and beyond, which together with lower WACC (10% vs. 11.3%) increases our 12-months PT (80% DCF, 20% peer group) for LUG' shares from previously PLN 5.20 to PLN 5.70. Due to a strong H1 and outlook we now forecast an EBIT margin of 2.9% in full-year 2014. In 2015, we expect it to drop to 2.6% due to costs associated with the new production facility for LED components in Nowy Kisielin (planning and construction started in June 2014; total costs: PLN 5m net). However, from the end of 2015, when the plant will be completed, profitability should grow to >5% in the long run due to a higher share of much more profitable LED-based products as well as more efficient production and distribution. According to McKinsey, LED is expected to reach a share of 52-63% in the EUR 83bn general lighting segment by 2020 (up from 1-4% in 2011).

In terms of risks, we think that there is a possibility that a potential extension of sanctions by Russia to production-related sectors could hit the demand for LUG's products in the EU.

Changes to our forecasts

Our estimates 2014E-2016E

in PLNm	2014E		2015E		2016E	
	new	old	new	old	new	old
Net sales	108.92	108.92	117.96	118.18	134.48	134.73
EBITDA	6.64	5.99	6.84	6.74	9.68	9.70
EBITDA margin	6.1%	5.5%	5.8%	5.7%	7.2%	7.2%
EBIT	3.16	2.51	3.07	2.95	5.38	5.39
EBIT margin	2.9%	2.3%	2.6%	2.5%	4.0%	4.0%
Net income	2.20	1.38	2.07	1.78	4.55	4.26
Net margin	2.0%	1.3%	1.8%	1.5%	3.4%	3.2%

Source: Dr. Kalliwoda Research GmbH

Quarterly results and estimates 2011-2014E

in PLNm	Q1/11	Q2/11	Q3/11	Q4/11	2011	Q1/12	Q2/12	Q3/12	Q4/12	2012
Net sales	20.88	21.16	22.78	29.71	94.53	19.21	24.45	26.81	31.50	101.96
<i>y-o-y change</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	21.2%	-8.0%	15.6%	17.7%	6.0%	7.9%
EBITDA	1.30	1.57	2.84	3.45	9.16	1.37	1.68	2.00	1.13	6.17
<i>EBITDA margin</i>	6.2%	7.4%	12.4%	11.6%	9.7%	7.1%	6.9%	7.4%	3.6%	6.0%
EBIT	0.46	0.81	2.09	2.58	5.94	0.50	0.92	1.17	0.31	2.89
<i>EBIT margin</i>	2.2%	3.8%	9.2%	8.7%	6.3%	2.6%	3.7%	4.4%	1.0%	2.8%
Net income	0.20	0.60	1.55	1.31	3.67	0.30	0.84	1.55	0.35	3.05
<i>Net margin</i>	1.0%	2.9%	6.8%	4.4%	3.9%	1.6%	3.4%	5.8%	1.1%	3.0%

in PLNm	Q1/13	Q2/13	Q3/13	Q4/13	2013	Q1/14	Q2/14	Q3/14E	Q4/14E	2014E
Net sales	24.18	24.30	25.93	28.35	102.76	28.37	25.53	26.40	28.63	108.92
<i>y-o-y change</i>	25.9%	-0.6%	-3.3%	-10.0%	0.8%	17.3%	5.0%	1.8%	1.0%	6.0%
EBITDA	1.60	1.14	1.68	1.34	5.76	1.97	1.56	1.68	1.44	6.64
<i>EBITDA margin</i>	6.6%	4.7%	6.5%	4.7%	5.6%	6.9%	6.1%	6.4%	5.0%	6.1%
EBIT	0.82	0.40	0.85	0.54	2.61	1.17	0.75	0.86	0.38	3.16
<i>EBIT margin</i>	3.4%	1.7%	3.3%	1.9%	2.5%	4.1%	2.9%	3.3%	1.3%	2.9%
Net income	0.49	0.39	0.58	0.05	1.51	0.96	0.53	0.60	0.11	2.20
<i>Net margin</i>	2.0%	1.6%	2.2%	0.2%	1.5%	3.4%	2.1%	2.3%	0.4%	2.0%

Source: Company information, Dr. Kalliwoda Research GmbH

5 Profit and loss statement

Profit and loss statement - LUG						
in PLNm	Fiscal year					
	2011	2012	2013	2014E	2015E	2016E
Revenues	94.53	101.96	102.76	108.92	117.96	134.48
<i>Cost of goods sold</i>	-63.63	-70.47	-68.62	-72.16	-78.68	-88.04
Gross profit	30.90	31.50	34.14	36.76	39.28	46.44
<i>Other operating income</i>	0.83	0.86	0.77	0.50	0.51	0.52
<i>Distribution costs</i>	-13.77	-16.98	-18.41	-17.86	-19.23	-21.79
<i>Administration costs</i>	-8.38	-8.96	-10.60	-12.64	-13.57	-15.33
<i>Other operating expenses</i>	-0.42	-0.25	-0.14	-0.12	-0.16	-0.16
EBITDA	9.16	6.17	5.76	6.64	6.84	9.68
<i>Depreciation</i>	-3.23	-3.28	-3.15	-3.49	-3.77	-4.30
Operating income	5.94	2.89	2.61	3.16	3.07	5.38
<i>Net financial result</i>	-2.12	0.02	-1.10	-1.10	-1.13	-1.12
EBT	3.82	2.91	1.51	2.06	1.94	4.26
<i>Income taxes</i>	-0.15	0.09	0.00	0.00	0.00	0.00
<i>Minorities</i>	0.00	0.04	0.00	0.14	0.13	0.29
Net income / loss	3.67	3.05	1.51	2.20	2.07	4.55
<i>EPS</i>	0.02	0.42	0.21	0.31	0.29	0.63
<i>DPS</i>	0.00	0.01	0.01	0.01	0.01	0.19
Change y-o-y						
<i>Revenues</i>	n.a	7.87%	0.78%	6.00%	8.30%	14.00%
<i>Cost of goods sold</i>	n.a	10.75%	-2.63%	5.17%	9.04%	11.90%
<i>Gross profit</i>	n.a	1.93%	8.39%	7.68%	6.86%	18.21%
<i>Other operating income</i>	n.a	3.11%	-10.71%	-34.88%	2.00%	2.00%
<i>Distribution costs</i>	n.a	23.25%	8.47%	-2.99%	7.64%	13.30%
<i>Administration costs</i>	n.a	6.97%	18.25%	19.20%	7.37%	13.01%
<i>Other operating expenses</i>	n.a	-40.76%	-44.41%	-14.12%	31.44%	0.64%
<i>EBITDA</i>	n.a	-32.66%	-6.67%	15.40%	2.97%	41.52%
<i>Depreciation</i>	n.a	1.56%	-3.94%	10.79%	8.30%	14.00%
<i>Operating income</i>	n.a	-51.25%	-9.76%	20.96%	-2.90%	75.38%
<i>Net financial result</i>	n.a	-100.85%	-6229.54%	0.03%	2.73%	-0.88%
<i>EBT</i>	n.a	-23.68%	-48.08%	36.19%	-5.91%	119.88%
<i>Income taxes</i>	n.a	n.a	-100.00%	n.a	n.a	n.a
<i>Minorities</i>	n.a	n.a	-100.00%	n.a	-5.91%	119.88%
<i>Net income / loss</i>	n.a	-16.91%	-50.40%	45.45%	-5.91%	119.88%
<i>EPS</i>	n.a	2017.03%	-50.40%	45.45%	-5.91%	119.88%
Share in total sales						
<i>Revenues</i>	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<i>Cost of goods sold</i>	-67.31 %	-69.11 %	-66.78 %	-66.25 %	-66.70 %	-65.47 %
<i>Gross profit</i>	32.69 %	30.89 %	33.22 %	33.75 %	33.30 %	34.53 %
<i>Other operating income</i>	0.88 %	0.84 %	0.75 %	0.46 %	0.43 %	0.39 %
<i>Distribution costs</i>	-14.57 %	-16.65 %	-17.92 %	-16.40 %	-16.30 %	-16.20 %
<i>Administration costs</i>	-8.87 %	-8.79 %	-10.32 %	-11.60 %	-11.50 %	-11.40 %
<i>Other operating expenses</i>	-0.44 %	-0.24 %	-0.13 %	-0.11 %	-0.13 %	-0.12 %
<i>EBITDA</i>	9.69 %	6.05 %	5.60 %	6.10 %	5.80 %	7.20 %
<i>Depreciation</i>	-3.41 %	-3.21 %	-3.06 %	-3.20 %	-3.20 %	-3.20 %
<i>Operating income</i>	6.28 %	2.84 %	2.54 %	2.90 %	2.60 %	4.00 %
<i>Net financial result</i>	-2.24 %	0.02 %	-1.07 %	-1.01 %	-0.96 %	-0.83 %
<i>EBT</i>	4.04 %	2.86 %	1.47 %	1.89 %	1.64 %	3.17 %
<i>Income taxes</i>	-0.16 %	0.09 %	0.00 %	0.00 %	0.00 %	0.00 %
<i>Minorities</i>	0.00 %	0.04 %	0.00 %	0.13 %	0.11 %	0.22 %
<i>Net income / loss</i>	3.88 %	2.99 %	1.47 %	2.02 %	1.75 %	3.38 %

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6 Balance sheet

Balance sheet - LUG						
in PLNm	Fiscal year					
	2011	2012	2013	2014E	2015E	2016E
Assets						
Cash and equivalents	1.10	1.32	3.64	7.18	2.84	1.09
Short-term financial assets	1.27	0.00	0.00	0.00	0.00	0.00
Inventories	18.38	21.46	24.90	25.59	27.26	29.78
Trade accounts and notes receivables	21.40	21.44	18.86	19.99	21.65	24.68
Other current assets	1.17	2.96	4.54	4.82	5.22	5.95
Current assets, total	43.32	47.20	51.94	57.57	56.96	61.49
Property, plant and equipment	29.42	28.56	28.47	31.47	34.47	34.52
Other intangible assets	1.26	1.50	1.29	1.85	2.01	2.29
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Other long-term assets	0.00	0.00	1.23	2.00	2.04	2.08
Deferred tax assets	0.44	0.20	0.14	0.00	0.00	0.00
Non-current assets, total	31.12	30.26	31.13	35.32	38.51	38.88
Total assets	74.45	77.46	83.07	92.89	95.48	100.38
Liabilities						
Trade payables	19.00	20.17	22.66	23.04	24.26	26.18
Other short-term liabilities	2.91	3.06	2.86	3.70	4.01	4.57
Short-term financial debt	9.01	11.24	7.97	18.00	16.80	15.60
Pension provision	0.16	0.16	0.23	0.17	0.18	0.21
Provisions	0.18	0.72	1.23	2.70	2.92	3.33
Current liabilities, total	31.26	35.35	34.95	47.61	48.18	49.90
Long-term financial debt	4.73	2.91	7.58	2.70	2.60	2.50
Pension provision	0.05	0.07	0.00	0.08	0.09	0.10
Other long-term liabilities	0.95	0.75	0.53	0.57	0.61	0.70
Deferred tax liabilities	0.48	0.15	0.28	0.00	0.00	0.00
Long-term liabilities, total	6.21	3.89	8.39	3.35	3.30	3.30
Total liabilities	37.48	39.23	43.34	50.96	51.48	53.19
Shareholders equity, total	36.97	38.22	39.73	41.93	44.00	47.18
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities and equity	74.45	77.46	83.07	92.89	95.48	100.38

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7 Cash flow statement

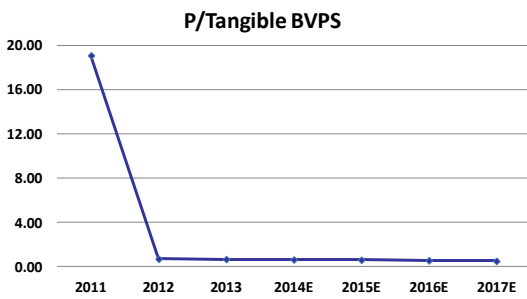
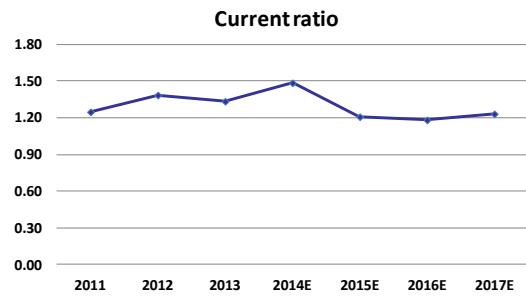
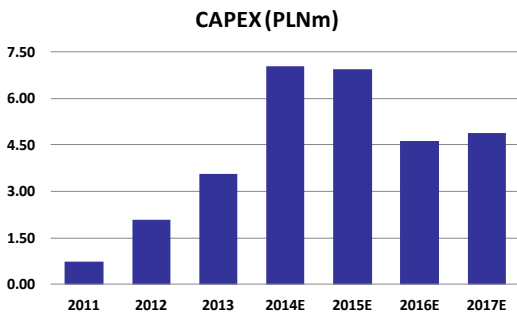
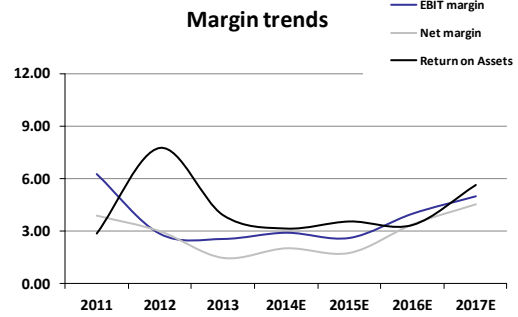
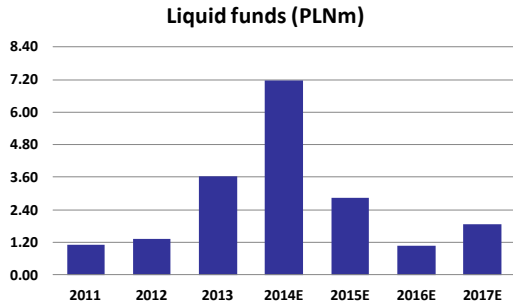
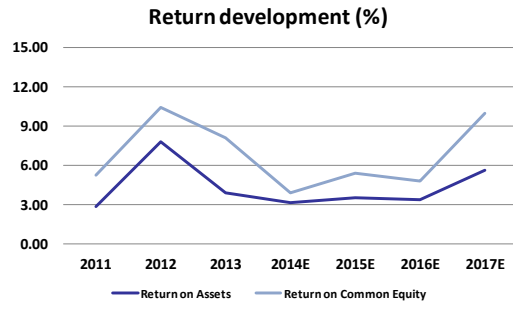
Cash flow statement - LUG						
in PLNm	Fiscal year					
	2011	2012	2013	2014E	2015E	2016E
Net income / loss	3.67	3.05	1.51	2.20	2.07	4.55
Depreciation	3.23	3.28	3.15	3.49	3.77	4.30
Change of working capital	-6.79	-2.74	1.08	-0.84	-2.15	-3.71
Others	2.00	0.26	-0.16	1.33	0.22	0.41
Net operating cash flow	2.11	3.85	5.58	6.18	3.92	5.55
Cash flow from investing	-0.74	-2.09	-3.55	-7.04	-6.93	-4.63
Free cash flow	1.37	1.76	2.03	-0.87	-3.01	0.92
Cash flow from financing	-2.62	-1.54	0.38	4.40	-1.32	-2.67
Change of cash	-1.25	0.22	2.40	3.53	-4.34	-1.75
Cash at the beginning of the period	1.35	1.10	1.24	3.64	7.18	2.84
Cash at the end of the period	1.10	1.32	3.64	7.18	2.84	1.09

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8 Financial ratios

Fiscal year	2011	2012	2013	2014E	2015E	2016E	2017E	2018E
Gross margin	32.69%	30.89%	54.50%	46.50%	33.30%	34.53%	35.34%	35.85%
EBITDA margin	9.69%	6.05%	5.60%	6.10%	5.80%	7.20%	8.20%	8.90%
EBIT margin	6.28%	2.84%	2.54%	2.90%	2.60%	4.00%	5.00%	5.70%
Net margin	3.88%	2.99%	1.47%	2.02%	1.75%	3.38%	4.52%	4.38%
Return on equity (ROE)	10.44%	8.11%	3.88%	5.39%	4.82%	9.98%	13.28%	12.58%
Return on assets (ROA)	7.78%	3.91%	3.14%	3.55%	3.35%	5.65%	7.31%	7.20%
Return on capital employed (ROCE)	13.22%	7.09%	5.43%	6.98%	6.48%	10.66%	13.19%	12.00%
Net debt (in PLNm)	11.58	13.06	12.14	13.78	16.83	17.32	15.25	12.94
Net gearing	31.31%	34.18%	30.55%	32.86%	38.25%	36.71%	29.46%	22.88%
Equity ratio	49.66%	49.35%	47.83%	45.14%	46.08%	47.01%	49.27%	51.50%
Current ratio	1.39	1.34	1.49	1.21	1.18	1.23	1.32	1.41
Quick ratio	0.76	0.64	0.64	0.57	0.51	0.52	0.57	0.63
Net interest cover	2.80	-161.30	2.37	2.87	2.71	4.80	6.54	8.05
Net debt/EBITDA	1.26	2.12	2.11	2.07	2.46	1.79	1.28	0.94
Tangible BVPS	0.20	5.31	5.52	5.82	6.11	6.55	7.19	7.86
CAPEX/Sales	2.36%	2.60%	2.77%	6.47%	5.87%	3.45%	3.36%	3.34%
Working capital/Sales	19.14%	21.47%	21.65%	21.20%	21.40%	21.53%	21.67%	21.83%
EV/Sales	0.49	0.46	0.45	0.43	0.40	0.35	0.32	0.30
EV/EBITDA	5.10	7.57	8.11	7.03	6.83	4.82	3.92	3.38
EV/EBIT	7.87	16.14	17.88	14.78	15.23	8.68	6.43	5.27
P/Tangible BVPS	19.10	0.73	0.70	0.66	0.63	0.59	0.54	0.49
P/E	192.50	9.09	18.33	12.60	13.40	6.09	4.22	4.07
P/FCF	20.20	15.78	13.67	-31.98	-9.20	30.27	6.80	6.30

Source: Company information, Dr. Kalliwoda Research GmbH



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