

12 November 2007

Update


**Construction**

Poland

<b>Current price</b>	<b>PLN 8.5</b>
<b>Target price</b>	<b>PLN 9.1</b>
Market cap	PLN 3.95bn
Free float	PLN 2.49bn
Avg daily trading volume (3M)	PLN 12.34m

**Shareholder Structure**

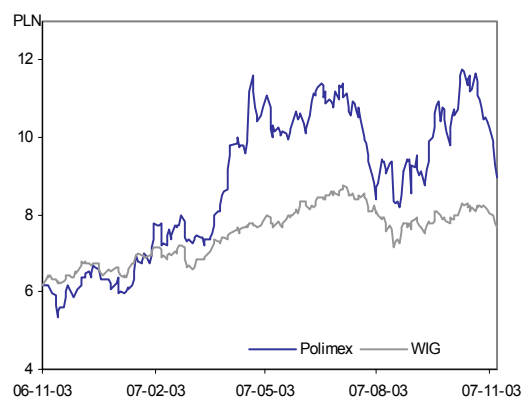
CU OFE BPH CU WBKI	9.58%
OFE PZU Złota Jesień	6.99%
Gloria S.a.r.l.	6.18%
Sices International B.V.	6.16%
ING Nationale-Nederlanden Polska OFE	5.14%
Polimex-Development	2.83%
Others	63.12%

**Sector Outlook**

October was marked by two key trends: rising demand for rented construction equipment (formworks, cranes, etc.), and a widening in subcontractor profit margins at the expense of general contractors.

**Company Profile**

Polimex versatile business mix includes manufacture of galvanized steel products and steel components for the building industry, building and maintenance services, manufacture of furnaces and boilers for the electric power industry, road building, and real-estate development.

**PXM vs. WIG**

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# Polimex Mostostal Accumulate

MOSD. WA; PXM.PW

(Reiterated)

## Market Overreacts To Weak Profitability

After taking a close look at Polimex's contract backlog, we decided to lower our FY2008-FY2010 profitability forecasts for the company. These downward revisions affected both the Chemical and Petrochemical segments, Power Engineering, and Construction, and were prompted by rising labor and contractor costs, and relatively low contract margins. Valuation was further weighed down by larger debt. All these factors prompted us to revise our price target on Polimex downwards from PLN 10.7 to PLN 9.1 a share, while reiterating an ACCUMULATE rating on the stock.

**3Q'07 results**

Polimex Mostostal generated a net profit of PLN 21.64m on PLN 934.78m revenue (up 11.2% y/y) in 3Q. The bottom line fell 19.6% short of consensus (PLN 26.9m) and 10.6% short of our estimate (PLN 24.2m). Revenues were 6.8% ahead of consensus and 2.7% better than our forecast. 3Q'07 gross profit margin amounted to 8.0%, and was 8.8% lower than in 3Q'06 and 10.5% lower than in 1H'07.

Polimex's third-quarter results were affected by several factors: First, the contract to finish the S-1 expressway, carried out in consortium with Dragados, turned out less profitable than expected due to an unforeseen surge in costs. Second, a PLN 409.9m (net) contract for a coke oven battery for Koksownia Przyjaźń carried out in consortium with Piecexport and Koksoprojekt turned out less profitable than expected. Third, 3Q results were depressed by a weak net profit posted by subsidiary Energomontaż-Północ (PLN 0.13m) which had to recognize a provision against withholding of PLN 4.41m retention by Stalowa Wola Power Plant.

**Profitability will suffer in FY2008**

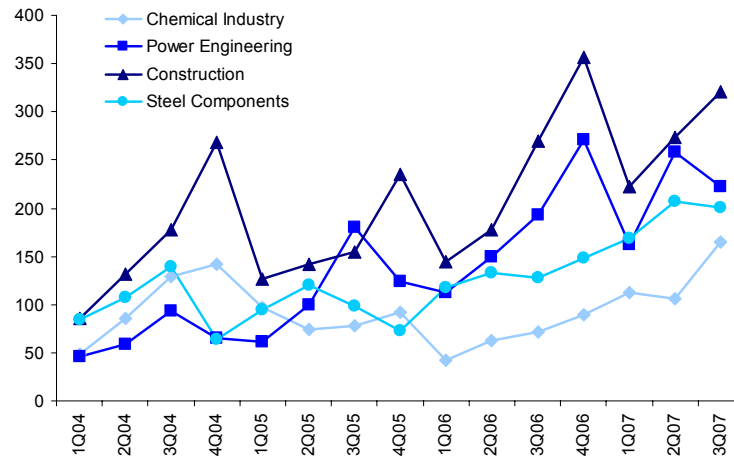
We predict that Polimex-Mostostal will generate a net profit of PLN 134.3m for FY2008 on PLN 4110.1m revenue. On these results, the net margin would figure to 3.3% (year-to-November 2007 net margin at 3.1%), which is much weaker than our previous estimate (4.3%), calculated based on expectations of stronger real-estate development revenues and increasing production of steel components, paired with steady profit margins generated by other business segments. However, it has become obvious that Polimex will not achieve the profitability targets set for Power Engineering, Petrochemicals, and Construction, due to rising costs of labor and contractor services, but primarily due to slender margins set on its largest contracts.

(PLN m)	2004	2005	2006F	2007F	2008F
Revenue	1849.9	2483.4	3520.0	4131.4	4935.3
EBITDA	101.2	129.7	214.4	307.1	396.4
<i>EBITDA margin</i>	5.5%	5.2%	6.1%	7.4%	8.0%
EBIT	73.2	98.5	150.1	205.3	278.0
Net profit	42.8	62.6	101.9	139.2	199.6
P/E	92.2	63.1	39.0	28.6	19.9
P/CE	55.7	42.1	23.9	16.5	12.5
P/BV	13.5	11.1	4.2	3.4	3.0
EV/EBITDA	40.6	31.9	19.4	13.6	10.6
DYield	0.0%	0.2%	0.5%	0.5%	0.7%

## 3Q'07 results

The biggest part of revenues recorded in 3Q 2007 was generated within the building segment (PLN 321.2m), then the power segment (PLN 222.0m), steel components (PLN 201.1m) and chemical industry (PLN 165.3m).

### Revenue by business segment



Source: Polimex

There were a few factors which negatively affected the 3Q'07 financial result. First of all, the contract for completion of S-1 motorway realized in consortium with Dragados was of little profitability for Polimex because of unpredictable growth of realization costs. The contractual value amounted to EUR 17.6m with EUR 7.0m for Polimex.

Secondly, in September 2007 the Consortium Polimex-Mostostal-Piecexport-Koksoprojekt completed a PLN 409.9m contract for a coking battery for the "Przyjaźń" Coking Plant (Polimex's share amounted to PLN 175.0m). The profitability of this contract was, however, also lower than expected.

Thirdly, the results of the Group were negatively affected by the weak performance of Energomontaż-Północ in 3Q'07 (net profit at the level of PLN 0.13 m) – Polimex's subsidiary was forced to set up a provision against a PLN 4.41m performance bond retained by the Power Plant "Stalowa Wola". Despite a 32% growth in the revenues of Energomontaż-Północ, the Company recorded a loss on operating activities in the first half of the year in the amount of PLN 1.6m. One of the reasons for this result was settlement of unprofitable contract with "Pątnów" Power Plant, increase in costs of workforce and the set up of provision against a collective bargaining agreement in the amount of PLN 1.22 m.

### 3Q 2007 Polimex consolidated results

(PLN m)	3Q2007	3Q2006	change	BRE Bank Securities	1-3Q2007	1-3Q2006	change
Revenues	934.8	661.2	41.4%	910.0	2448.2	1599.6	60.9%
EBITDA	42.0	33.0	27.3%	54.7	143.9	104.5	37.7%
margin	4.5%	5.0%	-	6.0%	5.9%	6.5%	-
EBIT	30.8	25.6	20.4%	37.4	111.7	83.3	34.0%
Gross profit	28.8	25.5	12.7%	33.0	105.8	77.3	36.8%
Net profit	21.6	18.1	19.5%	24.2	75.2	52.4	43.5%

Source: BRE Bank Securities

## Lower profitability in 2008.

We predict that the Group will not achieve the intended profitability in the years 2008-2010 within power engineering, petrochemical, and construction segments because of the increased workforce costs and costs of external subcontractors, but most of all because of a relatively low contractual margin as agreed in the following contracts:

- modernization of production of carbon derivatives in "Przyjaźń" Coking Plant (contract signed in November 2005, the value of contract – PLN 550.0 m);

- construction of terephthalate acid installation (PTA) in Włocławek for PKN Orlen (contract signed in August this year at the value of PLN 550.0 m);
- construction of tires manufacture plant and an office building for Bridgestone in Stargard Szczeciński (contract signed in August this year at the value of PLN 280.9 m).

It is however necessary to emphasize that despite the high risk of growing workforce and material costs and relatively low respective contractual margin on the contracts as mentioned above, the significant part of these realizations is being performed by the Group (the subcontractors are: Energomontaż-Pólnoc, Naftobudowa, ZREW) that enables better monitoring of costs and the realization of manufacturer's, subcontractor's and general contractor's margins. In addition, by utilizing its own steel components, the Group achieves additional earnings, therefore the risk of losses is relatively low, especially taking into account that there is always a possibility of renegotiation of terms of contracts including prices in case of unexpected occurrence of increase in realization costs. This is however related only to contracts concluded with private companies such as Bridgestone or PKN Orlen, not with public sector entities within the framework of public tenders. In addition such possibility refers only to direct realization costs and not to overhead costs.

## Higher involvement in profitable production of steel structures

Thanks to promised acquisitions and investments (PLN 200.0m for takeovers and PLN 400.0m for development in the period of 2008-2011), the Group can increase its production capacity regarding steel components manufacturing even twice during the next 3-4 years, which will increase this segment's share in the Group's revenue structure.

Regarding the above mentioned facts, Polimex's plans are as follows:

- expansion of steel manufacturing plant in Siedlce. The investment is to absorb ca PLN 230.0m – the land required for investment (14 ha) is already in Polimex's possession. The company is applying for status of a Special Economic Zone for that plant, what would bring the additional savings on taxes for the company.
- start-up of the hot-deep zinc-coating and steel products manufacturing in Częstochowa (investment absorbed PLN 40.0m, the plant capacity is 50 thousand tons per year).
- building the galvanizing plant in Ukraine in 2008 (investment which is to absorb PLN 40.0m, similar to that in Częstochowa).

The construction of galvanizing plant will be realized by the Group itself. A subsidiary company - Biprokwas is a designer and the Polimex-Mostostal – is a main contractor.

- allocation of PLN 150-200m in steel components plant takeover abroad (with ca 800 employees).

The investment budget for the years 2008-2011 also forecasts that the capacity of subsidiaries: Sefako (PLN 60.0m), Torpol (PLN 25.0m) and ZREW will increase, and provides for an acquisition of a company servicing the power industry (ca 400 employees), a building company (ca 250 employees) and two design offices (altogether ca 110 employees).

The realization of the above mentioned investments should improve revenue growth in the steel structures segment most of all. Higher revenues generated within that segment will result in higher EBIT margin in the coming years. Despite this, the EBIT margin growth will be lower than we assumed earlier because of the downward adjustment of profitability ratios within chemical, petrochemical, power and building industry. In addition, with reference to the capital expenditure, the FCF forecasts for the years 2008-2010 were lowered by the value of this expenditure, and probable future growth of debt (as of September 30, 2007 the balance of issued bonds amounted to PLN 350.0m) burdened the predicted financial costs.

## Other factors significantly influencing FY2008 results

In our forecasts some one-time events that may considerably influence the Group's results were ignored:

- The Polimex-Mostostal Group presents goodwill on consolidation: PLN 437.0m in the consolidated balance sheet. Resulting from the drop of Energomontaż-Pólnoc rate, goodwill may be decreased by more than PLN 100.0 m in 2008.
- in 2005 Polimex-Mostostal spent PLN 6.3 m for the acquisition from Hotele Warszawskie "Syrena" of a hotel located in Warsaw, Pl. Powstańców Warszawy, along with the perpetual usufruct. The present market value of that property amounts to PLN 100.0 m -150.0 m (selling



or new valuation of the property may have considerable influence on the financial result of the Group);  
- costs of the program of managerial options may not appear in the 2008 results unless the program requirements are met, therefore they will not be considered in our forecasts (ca PLN 6.0 m).

## Earnings forecasts and valuation

Based on DCF model within 9 months perspective the target price of a single share of Polimex-Mostostal is estimated at PLN 9.1

### DCF Valuation

#### Model assumptions

- Risk free interest rate = 5.65% (10Y State Treasury bonds yield)
- FCF growth after FY2016 = 3.5%



**DCF Model**

(PLN m)	2007F	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2016+
<b>Revenue</b>	<b>3,520.0</b>	<b>4,131.4</b>	<b>4,935.3</b>	<b>5,859.5</b>	<b>6,859.0</b>	<b>7,561.7</b>	<b>8,209.9</b>	<b>8,859.9</b>	<b>9,458.7</b>	<b>9,931.6</b>	
<i>change</i>	41.7%	17.4%	19.5%	18.7%	17.1%	10.2%	8.6%	7.9%	6.8%	5.0%	
<b>EBITDA</b>	<b>214.4</b>	<b>307.0</b>	<b>396.4</b>	<b>519.0</b>	<b>633.4</b>	<b>680.0</b>	<b>693.3</b>	<b>723.3</b>	<b>759.3</b>	<b>783.2</b>	
<i>EBITDA margin</i>	6.1%	7.4%	8.0%	8.9%	9.2%	9.0%	8.4%	8.2%	8.0%	7.9%	
Amortization and depreciation	64.2	101.8	118.4	110.3	101.2	82.7	83.5	84.2	83.7	83.7	
<b>EBIT</b>	<b>150.1</b>	<b>205.2</b>	<b>278.0</b>	<b>408.7</b>	<b>532.2</b>	<b>597.3</b>	<b>609.8</b>	<b>639.1</b>	<b>675.7</b>	<b>699.5</b>	
<i>EBIT margin</i>	4.3%	5.0%	5.6%	7.0%	7.8%	7.9%	7.4%	7.2%	7.1%	7.0%	
EBIT tax rate	29.7	40.1	52.8	77.7	101.1	113.5	115.9	121.4	128.4	132.9	
<b>NOPLAT</b>	<b>120.5</b>	<b>165.1</b>	<b>225.2</b>	<b>331.1</b>	<b>431.1</b>	<b>483.8</b>	<b>493.9</b>	<b>517.7</b>	<b>547.3</b>	<b>566.6</b>	
CAPEX	-180.0	-206.6	-197.4	-117.2	-102.9	-90.7	-82.1	-79.7	-75.7	-83.7	
Working capital	-160.0	-89.1	-102.7	-118.0	-127.7	-89.7	-82.8	-83.0	-76.5	-60.4	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>FCF</b>	<b>-155.3</b>	<b>-28.8</b>	<b>43.5</b>	<b>206.2</b>	<b>301.8</b>	<b>386.0</b>	<b>412.6</b>	<b>439.2</b>	<b>478.8</b>	<b>506.2</b>	<b>523.9</b>
<i>WACC</i>	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	
<i>Discount factor</i>	98.4%	89.0%	80.6%	73.0%	66.1%	59.8%	54.1%	49.0%	44.4%	40.2%	
PV FCF	-152.8	-25.6	35.1	150.4	199.3	230.9	223.4	215.3	212.5	203.3	
<b>WACC</b>	<b>10.5%</b>	<b>10.5%</b>	<b>10.5%</b>	<b>10.5%</b>	<b>10.5%</b>	<b>10.5%</b>	<b>10.5%</b>	<b>10.5%</b>	<b>10.5%</b>	<b>10.5%</b>	
Cost of debt	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	
Risk free rate	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	
Credit risk premium	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	
Effective tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	
Net debt / EV	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	
Cost of equity	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
FCF growth after the forecast horizon		3.5%									
Terminal value (TV)		7,526.3									
Discounted terminal value (PV TV)		3,023.3									
Discounted FCF in the forecast horizon		1,291.7									
Equity value		4,315.1									
Net debt		285.6									
Other non-operating assets											
Minority interests		92.3									
Equity value		3,937.2									
Number of shares (millions)		464.4									
<b>Equity value per share (PLN)</b>		<b>8.5</b>									
Cost of equity (9M)		7.9%									
<b>Target Price</b>		<b>9.1</b>									
EV/EBITDA('07) for the target price		20.1									
P/E('07) for the target price		42.0									
TV to EV		70%									

**Sensitivity Analysis**

	Secular FCF growth				
	2.5%	3.0%	3.5%	4.0%	4.5%
WACC +1.0ppt	10.4	11.2	12.2	13.3	14.8
WACC +0.5ppt	9.1	9.7	10.4	11.2	12.2
WACC	8.2	8.6	<b>9.1</b>	9.7	10.4
WACC -0.5ppt	7.5	7.8	8.2	8.6	9.1
WACC -1.0ppt	6.9	7.2	7.5	7.8	8.2

**Income statement**

<b>(PLN m)</b>	<b>2005</b>	<b>2006</b>	<b>2007F</b>	<b>2008F</b>	<b>2009F</b>	<b>2010F</b>
<b>Revenues from sales</b>	<b>1,849.9</b>	<b>2,483.4</b>	<b>3,520.0</b>	<b>4,131.4</b>	<b>4,935.3</b>	<b>5,859.5</b>
<i>change</i>	8.8%	34.2%	41.7%	17.4%	19.5%	18.7%
Cost of sales	1,650.3	2,239.1	3,161.0	3,671.6	4,395.5	5,162.8
Gross profit on sales	199.6	244.3	359.0	459.8	539.7	696.7
<i>Gross profit margin</i>	10.8%	9.8%	10.2%	11.1%	10.9%	11.9%
Selling costs	-27.9	-28.1	-38.9	-47.4	-51.0	-55.1
General and administrative costs	-95.3	-106.6	-159.4	-190.6	-195.9	-215.3
Other net operating revenues	-3.1	-11.1	-10.6	-16.5	-14.8	-17.6
<b>EBIT</b>	<b>73.2</b>	<b>98.5</b>	<b>150.1</b>	<b>205.3</b>	<b>278.0</b>	<b>408.7</b>
<i>change</i>	-8.3%	34.5%	52.4%	36.8%	35.4%	47.0%
<i>EBIT margin</i>	4.0%	4.0%	4.3%	5.0%	5.6%	7.0%
Result on financial activities	-8.5	-5.3	-11.6	-14.0	-8.4	-3.9
Result on extraordinary events	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	-1.7	0.0	0.0	0.0	0.0
<b>Gross profit</b>	<b>64.7</b>	<b>91.5</b>	<b>138.5</b>	<b>191.3</b>	<b>269.5</b>	<b>404.8</b>
Income tax	15.7	17.4	26.3	37.1	51.2	76.9
Minority interests	6.2	11.5	10.3	14.9	18.7	26.4
<b>Net profit</b>	<b>42.8</b>	<b>62.6</b>	<b>101.9</b>	<b>139.2</b>	<b>199.6</b>	<b>301.5</b>
<i>change</i>	14.8%	46.2%	62.8%	40.7%	39.3%	51.1%
<i>margin</i>	2.3%	2.5%	2.9%	3.4%	4.0%	5.1%
Amortization and depreciation	28.0	31.2	64.2	101.8	118.4	110.3
<b>EBITDA</b>	<b>101.2</b>	<b>129.7</b>	<b>214.4</b>	<b>307.1</b>	<b>396.4</b>	<b>519.0</b>
<i>change</i>	-6.4%	28.1%	65.2%	45.2%	27.4%	30.9%
<i>EBITDA margin</i>	5.5%	5.2%	6.1%	7.4%	8.0%	8.9%
Shares at year-end (millions)	464.4	464.4	467.9	468.2	468.4	468.4
EPS	0.1	0.1	0.2	0.3	0.4	0.6
CEPS	0.2	0.2	0.4	0.5	0.7	0.9
ROAE	16.1%	19.3%	15.9%	13.3%	16.0%	20.6%
ROAA	4.0%	4.6%	5.2%	5.4%	6.6%	8.7%

**Balance Sheet**

(PLN m)	2005	2006	2007F	2008F	2009F	2010F
<b>ASSETS</b>	<b>1,108.3</b>	<b>1,631.8</b>	<b>2,546.6</b>	<b>2,826.1</b>	<b>3,186.4</b>	<b>3,670.5</b>
<b>Fixed assets</b>	<b>319.2</b>	<b>417.8</b>	<b>967.6</b>	<b>1,024.0</b>	<b>1,124.6</b>	<b>1,191.5</b>
Intangible assets	1.7	2.8	4.6	5.5	6.1	6.7
Property, plant and equipment	213.6	261.7	398.6	490.7	585.2	608.2
Long-term investments	79.3	44.7	12.5	31.0	31.0	31.0
Other	24.6	108.6	463.8	496.8	502.3	545.7
<b>Current assets</b>	<b>777.6</b>	<b>1,213.9</b>	<b>1,579.0</b>	<b>1,802.2</b>	<b>2,061.8</b>	<b>2,479.0</b>
Inventories	117.3	168.3	259.8	267.1	319.1	378.9
Receivables	568.5	872.8	1,071.2	1,100.1	1,299.8	1,494.2
Short-term prepayments	5.8	9.4	51.2	39.5	39.5	39.5
Cash and cash equivalents	86.0	163.5	185.1	395.4	403.4	566.5
<b>(PLN m)</b>	<b>2005</b>	<b>2006</b>	<b>2007F</b>	<b>2008F</b>	<b>2009F</b>	<b>2010F</b>
<b>LIABILITIES</b>	<b>1,108.3</b>	<b>1,631.8</b>	<b>2,546.6</b>	<b>2,826.1</b>	<b>3,186.4</b>	<b>3,670.5</b>
<b>Equity</b>	<b>293.1</b>	<b>354.9</b>	<b>947.2</b>	<b>1,164.6</b>	<b>1,335.6</b>	<b>1,597.2</b>
Minority interests	71.8	93.9	92.3	103.9	122.6	149.0
<b>Long-term liabilities</b>	<b>141.6</b>	<b>293.0</b>	<b>418.8</b>	<b>489.3</b>	<b>489.3</b>	<b>489.3</b>
Loans	95.8	231.9	340.2	424.9	424.9	424.9
Provisions	45.7	61.1	78.5	64.4	64.4	64.4
<b>Short-term liabilities</b>	<b>601.8</b>	<b>890.0</b>	<b>1,088.4</b>	<b>1,068.3</b>	<b>1,238.9</b>	<b>1,435.1</b>
Loans	72.8	83.2	211.2	155.7	155.7	155.7
Trade creditors	511.6	762.6	793.9	876.9	1,047.5	1,243.6
Accruals	17.3	44.2	83.3	35.8	35.8	35.8
Debt	168.7	315.1	551.5	580.6	580.6	580.6
Net debt	82.7	151.6	366.4	185.2	177.2	14.1
(Net debt / Equity)	28.2%	42.7%	38.7%	15.9%	13.3%	0.9%
(Net debt / EBITDA)	0.8	1.2	1.7	0.6	0.4	0.0
BVPS	0.6	0.8	2.0	2.5	2.9	3.4

**Cash Flows**

(PLN m)	2005	2006	2007F	2008F	2009F	2010F
<b>Cash flows from operating activities</b>	<b>65.5</b>	<b>43.6</b>	<b>86.5</b>	<b>238.2</b>	<b>234.1</b>	<b>320.2</b>
Net profit	42.8	62.6	101.9	139.2	199.6	301.5
Amortization and depreciation	28.0	31.2	64.2	101.8	118.4	110.3
Working capital	22.2	-93.8	-160.0	-89.1	-102.7	-118.0
Other	-27.5	43.7	80.5	86.2	18.7	26.4
<b>Cash flows from investment activities</b>	<b>18.0</b>	<b>-120.0</b>	<b>-180.0</b>	<b>-206.6</b>	<b>-197.4</b>	<b>-117.2</b>
CAPEX	18.0	-77.9	-180.0	-206.6	-197.4	-117.2
Capital investments	0.0	-42.1	0.0	0.0	0.0	0.0
<b>Cash flows</b>	<b>-53.0</b>	<b>122.1</b>	<b>252.8</b>	<b>94.7</b>	<b>-28.7</b>	<b>-39.9</b>
Issuance of shares	0.0	10.9	203.5	115.1	0.0	0.0
Debt	-44.6	-50.5	0.0	0.0	0.0	0.0
Dividend (buy-back)	0.0	-6.9	-19.0	-20.4	-28.7	-39.9
Other	-8.5	168.5	68.3	0.0	0.0	0.0
<b>Change in cash</b>	<b>30.5</b>	<b>45.7</b>	<b>159.3</b>	<b>126.3</b>	<b>8.0</b>	<b>163.1</b>
Closing balance of cash	64.1	109.8	269.2	395.4	403.4	566.5
DPS (PLN)	0.0	0.0	0.0	0.0	0.1	0.1
FCF		0.0	-155.3	-28.8	43.5	206.2
(CAPEX / Sales)	-1.0%	3.1%	5.1%	5.0%	4.0%	2.0%

**Market indicators**

	<b>2005</b>	<b>2006</b>	<b>2007F</b>	<b>2008F</b>	<b>2009F</b>	<b>2010F</b>
P/E	92.2	63.1	39.0	28.6	19.9	13.2
P/CE	55.7	42.1	23.9	16.5	12.5	9.7
P/BV	13.5	11.1	4.2	3.4	3.0	2.5
P/S	2.1	1.6	1.1	1.0	0.8	0.7
FCF/EV		0.0%	-3.7%	-0.7%	1.0%	4.9%
EV/EBITDA	40.6	31.9	19.4	13.6	10.6	8.1
EV/EBIT	56.2	42.0	27.7	20.3	15.1	10.3
EV/S	2.2	1.7	1.2	1.0	0.9	0.7
DYield	0.0%	0.2%	0.5%	0.5%	0.7%	1.0%
<b>Price (PLN)</b>	<b>8.5</b>					
Shares at year-end (millions)	464.4	464.4	467.9	468.2	468.4	468.4
MC (PLN m)	3,947.0	3,947.0	3,977.3	3,979.3	3,981.3	3,981.3
Equity attributable to minority shareholders (PLN m)	71.8	93.9	92.3	103.9	122.6	149.0
EV (PLN m)	4,112.7	4,134.8	4,163.4	4,177.0	4,197.8	4,224.2



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

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

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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%  
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**Previous recommendations issued for Polimex-Mostostal**

Recommendation	Accumulate	Accumulate
Date issued	2007-05-29	2007-09-05
Price on day of recommendation	260.10	9.52
WIG on day of recommendation	62779.18	61406.64