

**Construction**

Poland

Current price	PLN 1.69
Target price	PLN 2.01
Market cap	PLN 0.86bn
Free float	PLN 0.65bn
Avg daily trading volume (3M)	PLN 8.0m

Shareholder Structure

ING OFE	12.39%
Pioneer Pekao IM	9.95%
Polimex Cekop Development	2.52%

Others	75.14%
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Sector Outlook

New year, new deal: in 2012, WIG Construction will no longer underperform the broad index. An opportunity for the industry are investment projects of power utilities, while risks lie in road construction contracts (with their weak operating cash flows and the fact that the contractors' demands are not easily accepted). Within the industry, we recommend overweighting small and medium companies over big ones, as the former tend to work on small, relatively safe contracts and have strong balance sheets.

Company Profile

Polimex manufactures galvanized-steel products, steel components, and boilers for the power industry, and offers construction services to the manufacturing, chemical, power, road, and railroad industries as well as developing properties.

Polimex Mostostal Buy

PXM PW; MOSD.WA

(Reiterated)

Alstom-PBG Fight Benefits Polimex

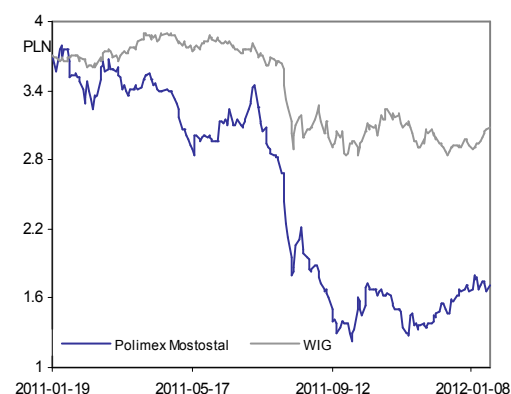
Polimex Mostostal's potential when it comes to providing solutions and services to power plants is second only to PBG. We expect power utilities to award close to PLN 26 billion in new contracts this year as part of their capacity-building projects. Competition in power engineering is less intense than in road development, and we believe between 65% and 75% of the power business will go to Polish companies. The ongoing dispute between Alstom and PBG (or, specifically, the former's PLN 135m claim against Rafako) leaves more room for Polimex to compete for power plant contracts both as general contractor and as subcontractor. A number of awards are expected in the first half of 2012. In the future, once power engineering contracts outweigh road contracts in Polimex's pipeline, the company stands to generate stronger profit margins. At the same time, however, although fewer, the road contracts will continue to depress future cash flows. We estimate Polimex's net debt at the end of Q4 2011 at PLN 755.8m (marking a decline from the PLN 1024m posted in Q3 2011), equal to 2.8 times EBITDA (compared to a debt/EBITDA ratio of 3.7 estimated for PBG). For 2012, we expect the Company's net debt to hover around an average of PLN 900+ million which is a safe level in this case. After adopting more conservative assumptions with respect to Polimex's future earnings outlook, we are reiterating our target price of PLN 2.01 per share and buy rating.

2012 order backlog

The share of road and railroad contracts in Polimex's 2012 order backlog is high at 40% (15% are railroads and 25% are roads). At the same time, the contribution of the potentially troublesome road contracts to the annual revenue will be smaller at around 21% (road contracts have longer deadlines than chemical- or power engineering jobs).

Power plant contract advance can boost cash flow

The consortium of companies selected by PGE to build a power plant in Opole is expected to receive an advance equivalent to 3% of the gross total fee (PLN 340m total, with PLN 136m due to Polimex), followed by a 5% advance later in the year (PLN 567m total, PLN 227m for Polimex).

PXM vs. WIG**Recognition of outstanding claims as revenue**

Like most other construction companies, Polimex can recognize legitimate claims for additional compensation under contracts as revenue. Such claims are usually successful and eventually materialize as cash flows (by way of example, of the four claims discussed in H1 2010 report by Mostostal Zabrze, 3 have materialized).

(PLN m)	2009	2010	2011F	2012F	2013F
Revenue	4 836.7	4 160.9	5 017.8	5 185.2	4 714.5
EBITDA	343.6	300.4	270.5	285.5	286.3
<i>EBITDA margin</i>	7.1%	7.2%	5.4%	5.5%	6.1%
EBIT	264.9	212.7	173.9	188.4	188.3
Net income	156.4	109.7	102.0	94.8	101.6
P/E	5.0	7.1	8.4	9.1	8.4
P/CE	3.3	4.0	4.3	4.5	4.3
P/BV	0.6	0.5	0.6	0.5	0.5
EV/EBITDA	3.8	4.5	6.0	5.7	5.3
DYield	0.6%	2.3%	2.3%	0.0%	0.0%

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2012 Order Backlog

Polimex's 2012 order backlog includes a large, 40% share of road and railroad contracts (15% railroads, 25% roads). A large portion of the railroad backlog is provided by an underground train station project in Łódź. The road infrastructure assignments generate weak cash flows and give rise to payment disputes. Typically for this early part of the year, Polimex's backlog of orders for power- and chemical plant engineering services is about 50% full at the moment, but this is normal as these types of assignments usually have short deadlines. We estimate the share of the troublesome road contracts in the 2012 backlog at 21%.

2012 order backlog

Operating Segment	PLN m
Power Engineering	520
Steel Frames	605
Construction	1305
Chemical Plant Engineering	140
Roads and Railroads	1715
of which Railroads	640
Total	4285

Source: BRE Bank Securities

Power Engineering Opportunities

We estimate the value of upcoming power engineering contract awards at nearly PLN 26 billion. Polimex Mostostal is bidding for a number of these contracts, including for power plant construction assignments in Opole, Koźienice, Jaworzno, and Włocławek, either as general contractor or as subcontractor. The company, jointly with consortium partners, came second in a tender for a power block in Stalowa Wola, but it outbid all competition in a PLN 9.3bn tender for power plants in Opole as member of a consortium including Rafako and Mostostal Warszawa.

Polimex's victory needs still to be officially confirmed, but, once the contract is signed, the winning consortium stands to receive an advance equivalent to 3% of the gross consideration (PLN 340m of which about PLN 136m will be due to Polimex), followed by another, 5% advance (PLN 567m including Polimex's share of PLN 227m) later in the year. The advances will show up on the books of the consortium members, to be spent later on payments to subcontractors and vendors.

Major power plant projects

	Location, capacity, owner	Value (PLN m)
1	Opole, 2x1000 MW, PGE	9 300
2	Koźienice, 900-1000 MW, Enea	5 200
3	Jaworzno, 800-910 MW, Tauron	4 732
4	Turów, 430-450 MW, PGE	2 392
5	Stalowa Wola, 400-430 MW, Tauron & PGNiG	1 600
6	Włocławek, 400-500 MW, PKN Orlen	1 500
7	Wrocław, 400 MW, Fortum	1 200

Source: BRE Bank Securities

If it fails to outbid competition as potential general contractor, Polimex can still reap significant business from the power plant projects in the capacity of a subcontractor offering a wide range of services from delivery of steel structures through turbine and power generator installations to general construction services.

Polimex's chances when it comes to capturing power engineering orders are additionally helped by an ongoing dispute between rivals PBG and Alstom.

Road Contract Risks

Due to the following reasons, road contracts are proving troublesome for many infrastructure developers:

- a) Higher costs of construction, including prices of aggregate, transport, and asphalt mixtures. Many companies failed to make allowances for cost increases when calculating contract budgets, and they are expected to recognize zero margins on such contracts as a result.
- b) Other contingencies (for example, the budget of a contract of Poldim's assumed that the company would be able to bring in aggregate to the site from a nearby quarry which, unhappily, failed to obtain a business license on time).
- c) Payment delays (a contractor cannot issue an invoice, typically payable in 30-45 days, until its work is inspected and approved by the contract engineer; unfortunately, such inspections are prone to delays).
- d) The national road authority's (GDDKiA) reluctance to recognize claims for compensation for additional but necessary roadworks. We estimate that large WSE-listed road developers have between PLN 150 and 300 million outstanding in such claims filed with GDDKiA.

The claims are for work already completed (i.e. costs already incurred), as well as work to be done (future cash outflows). We believe most of these claims are legitimate and should be recognized by GDDKiA – the question is when the body will come around to addressing them (such claims also have to be recognized by contract engineers).

The GDDKiA's reluctance stems from the fact that extra payments to road construction companies may lead to accusations of corruption. In the end, companies may be forced to take their claims to court. When it comes to Polimex and its potential claims against GDDKiA, we factored them in our financial forecasts for the company by adopting more conservative assumptions with respect to expected changes in net debt.

Our forecasts are built on the premise that:

- a) Polimex is in a more comfortable position when it comes to road infrastructure projects than, for instance, PBG and Mostostal Warszawa.
- b) Polimex tends to recognize legitimate claims validated by contract engineers but not yet recognized by GDDKiA under revenues. Such claims do not exceed PLN 100m.
- c) Polimex's road contracts have deadlines toward the end of 2012 and in 2013, and that is when the company will be making the final accounting for the actual costs and profits made on these contracts. We have lowered our expectations with respect to Polimex's revenue growth in 2012 and 2013.

Debt

We expect Polimex's net debt to have decreased from PLN 1024m in Q3 2011 to PLN 755.8m in Q4 2011 (with net debt-to-EBITDA ratio at 2.8 compared to 3.7 for PBG). For 2012, however, we assume net debt will be on average PLN 164m higher than the 2011 ending balance.

Short-term debt as of 30 September 2011 stood at PLN 592.2m, of which loans totaling PLN 150m were rescheduled for longer terms in Q4 2011. According to our calculations, the maturities of the outstanding debt are evenly spread over the four quarters of 2012.

Polimex's debt comprises a number of bank facilities extended to different members of the Polimex group, some of which are required to observe covenants that preclude them from exceeding net debt/EBITDA ratios of 3.5. Polimex is hoping to reduce its debt by:

- a) completing capital-intensive road contracts;
- b) selling non-core real estate assets (land properties worth a combined PLN 300m, some of which would probably be sold at a loss). The current real estate market does not favor sellers, so we do not take the potential property sales into account in our forecasts for Polimex as highly unlikely.

Polimex's accounts receivable and accounts payable vs. revenues

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
Receivables	1 289.6	1 347.5	1 328.0	1 382.9	1 876.7	1 908.1	1 734.9
Payables	897.7	1 240.4	1 414.1	1 336.3	1 545.5	1 467.5	1 330.5
Difference	391.9	107.1	-86.1	46.6	331.2	440.6	404.4
Revenues from road construction and hydroengineering	479.3	687.5	730.1	835.4	1 568.0	1 735.0	1 041.0
Difference / Revenues	81.8%	15.6%	-11.8%	5.6%	21.1%	25.4%	38.9%

Source: PBG, BRE Bank Securities

Valuation

Using DCF analysis and relative valuation, we set the price target for Polimex at PLN 2.01 per share. Since the target implies 18.9% upside potential from the current price level, we recommend buying PXM shares.

Valuation Summary

	Value per share	Weight
DCF Analysis	2.22	50%
Relative Valuation	1.48	50%
Average	1.85	
9M cost of equity	8.7%	
Target Price	2.01	

Source: BRE Bank Securities

Relative Valuation

Compared to a peer group of large publicly-traded construction firms, on estimated 2011-2013 P/E and EV/EBITDA multiples, Polimex is trading at an 11.6% premium to peer medians stemming from their weak earnings prospects.

Relative Valuation Model

	2011F P/E	2012F P/E	2013F P/E	2011F EV/EBITDA	2012F EV/EBITDA	2013F EV/EBITDA
Budimex	8.1	8.3	11.0	2.2	4.1	6.9
Erbud	<0	8.6	8.4	<0	5.2	4.6
Elektrobudowa	11.9	10.3	8.7	6.7	6.3	5.3
Mostostal Warszawa	<0	0.1	-0.2	<0	-0.4	-0.5
PBG	5.1	10.9	7.0	9.6	8.2	5.9
Rafako	7.6	8.2	7.0	6.1	5.0	3.7
Unibep	9.2	7.6	7.5	5.7	6.8	4.1
ZUE	7.5	8.0	7.9	5.5	4.0	3.6
Median	7.9	8.2	7.7	5.9	5.1	4.3
Polimex Mostostal	8.3	8.9	8.3	5.9	5.7	5.3
Premium (discount)	5.2%	8.1%	8.1%	1.1%	11.8%	21.2%
Multiple weight	20.0%	15.0%	15.0%	20.0%	15.0%	15.0%

Source: BRE Bank Securities; *Valuation conducted on 23 January 2012

DCF Valuation

Valuation assumptions:

- Risk-free rate = 5.7% (equivalent to yield on 10Y T-bonds).
- FCF growth rate after FY2017 = 3%.
- Credit risk premium is 2.5% in 2009-2017.
- Land properties are factored in at half their book value (PLN 300m).
- We adjust the number of shares for treasury shares held by Polimex-Cekop Development.
- We assume longer days in receivables after adjustment for average annual debt levels.
- We lowered the effective tax rates expected in 2012-2016 to account for SSE tax credits.

DCF Model

(PLN m)	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2020+
Revenue	5 017.8	5 185.2	4 714.5	5 338.6	5 611.4	5 867.7	6 109.9	6 337.8	6 565.3	6 782.4	
<i>change</i>	20.6%	3.3%	-9.1%	13.2%	5.1%	4.6%	4.1%	3.7%	3.6%	3.3%	
EBITDA	270.5	285.5	286.3	335.5	349.4	362.0	373.8	384.5	394.7	379.4	
<i>EBITDA margin</i>	5.4%	5.5%	6.1%	6.3%	6.2%	6.2%	6.1%	6.1%	6.0%	5.6%	
D&A expenses	96.7	97.1	98.1	99.0	100.0	100.9	101.8	102.5	102.8	102.8	
EBIT	173.9	188.4	188.3	236.5	249.4	261.2	272.0	281.9	291.9	276.6	
<i>EBIT margin</i>	3.5%	3.6%	4.0%	4.4%	4.4%	4.5%	4.5%	4.4%	4.4%	4.1%	
EBIT tax	7.0	7.5	7.5	9.5	10.0	31.3	51.7	53.6	55.5	52.6	
NOPLAT	166.9	180.8	180.7	227.0	239.5	229.8	220.3	228.4	236.5	224.0	
CAPEX	-87.6	-97.1	-108.1	-109.0	-110.0	-110.9	-111.8	-112.5	-107.8	-102.8	
Working capital	-302.0	-111.3	29.9	-78.2	-32.9	-30.2	-28.3	-26.7	-26.5	-17.9	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCF	-126.0	69.5	200.7	138.8	196.6	189.6	182.0	191.7	204.9	206.2	212.4
<i>WACC</i>	9.1%	9.8%	10.1%	10.2%	10.6%	10.7%	11.0%	11.5%	11.7%	11.6%	
<i>discount factor</i>	100.0%	91.1%	82.8%	75.1%	67.9%	61.3%	55.3%	49.6%	44.4%	39.8%	
PV FCF	-126.0	63.4	166.1	104.2	133.5	116.3	100.6	95.0	91.0	82.0	
WACC	9.1%	9.8%	10.1%	10.2%	10.6%	10.7%	11.0%	11.5%	11.7%	11.6%	
Cost of debt	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.6%	
Risk-free rate	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.6%	
Credit risk premium	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Effective tax rate	19.0%	4.0%	4.0%	4.0%	4.0%	12.0%	19.0%	19.0%	19.0%	19.0%	
Net debt / EV	57%	58%	49%	44%	34%	25%	15%	5%	0%	0%	
Cost of equity	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.6%	
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Beta	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	
FCF growth after the forecast horizon		3.0%									
Terminal value		2 469.3									
Present value of terminal value (PV TV)		982.1									
Present value of FCF in the forecast horizon		826.0									
Enterprise value		1 808.2									
Net debt		482.9									
Property valuation		164.0									
Minority interests		150.0									
Equity value		163.2									
Number of shares (millions)*		1 127.8									
Value per share (PLN)		508.0									
9M cost of equity		2.22									
Target Price		8.7%									
FCF growth after the forecast horizon		2.41									
EV/EBITDA ('11) for the target price		7.3									
P/E ('11) for the target price		12.0									
TV to EV		54%									

* Adjusted for treasury stock

Income Statement

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
Revenue	3 720.5	4 301.7	4 836.7	4 160.9	5 017.8	5 185.2	4 714.5
<i>change</i>	49.8%	15.6%	12.4%	-14.0%	20.6%	3.3%	-9.1%
COGS	3 398.3	3 870.7	4 326.9	3 723.4	4 635.1	4 764.7	4 319.8
Gross profit	322.2	431.0	509.8	437.6	382.8	420.5	394.7
<i>gross margin</i>	8.7%	10.0%	10.5%	10.5%	7.6%	8.1%	8.4%
Selling expenses	-28.3	-32.3	-26.8	-30.3	-37.0	-37.5	-33.3
General and administrative expenses	-137.1	-185.3	-213.2	-210.4	-180.5	-182.9	-162.6
Other net operating income/expenses	3.6	14.7	-4.9	15.9	8.5	-11.7	-10.4
EBIT	160.4	228.1	264.9	212.7	173.9	188.4	188.3
<i>change</i>	62.8%	42.2%	16.1%	-19.7%	-18.3%	8.3%	-0.1%
<i>EBIT margin</i>	4.3%	5.3%	5.5%	5.1%	3.5%	3.6%	4.0%
Financial activity	-15.4	-72.1	-55.5	-56.8	-40.4	-88.3	-81.0
Equity in income of associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	4.4	2.8	6.2	-0.7	0.0	-0.6	-0.6
Pre-tax income	149.4	158.9	215.6	155.2	133.4	99.5	106.7
Tax	32.7	18.5	40.3	35.9	30.7	4.0	4.3
Minority interests	16.6	20.3	18.9	9.6	0.8	0.7	0.8
Net income	100.1	120.1	156.4	109.7	102.0	94.8	101.6
<i>change</i>	59.9%	20.0%	30.2%	-29.9%	-7.0%	-7.0%	7.2%
<i>margin</i>	2.7%	2.8%	3.2%	2.6%	2.0%	1.8%	2.2%
D&A expenses	45.0	70.4	78.6	87.7	96.7	97.1	98.1
EBITDA	205.4	298.5	343.6	300.4	270.5	285.5	286.3
<i>change</i>	58.4%	45.3%	15.1%	-12.6%	-10.0%	5.5%	0.3%
<i>EBITDA margin</i>	5.5%	6.9%	7.1%	7.2%	5.4%	5.5%	6.1%
Shares at year-end (millions)	463.6	463.6	463.6	463.6	508.0	508.0	508.0
EPS	0.2	0.3	0.3	0.2	0.2	0.2	0.2
CEPS	0.3	0.4	0.5	0.4	0.4	0.4	0.4
ROAE	15.0%	11.8%	13.6%	8.1%	6.8%	6.0%	6.1%
ROAA	4.5%	3.9%	4.3%	2.8%	2.4%	2.1%	2.3%

Balance Sheet

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
ASSETS	2 801.4	3 438.6	3 827.7	3 923.5	4 510.3	4 428.0	4 298.3
Fixed assets	983.2	1 381.7	1 685.3	1 712.2	1 736.4	1 736.4	1 746.4
Intangible assets	437.6	509.4	517.7	512.2	517.3	517.3	517.3
Property, plant and equipment	426.4	710.8	947.9	1 027.9	1 025.8	1 025.8	1 035.8
Long-term investment	80.9	76.5	107.8	92.7	124.4	124.4	124.4
Other	38.3	84.9	111.9	79.3	68.9	68.9	68.9
Current assets	1 818.2	2 056.9	2 142.4	2 211.3	2 773.9	2 691.5	2 551.8
Inventories	348.9	395.1	350.9	432.9	450.4	452.2	458.5
Receivables	1 289.6	1 347.5	1 328.0	1 382.9	1 876.7	1 908.1	1 734.9
Short-term prepayments	9.8	11.2	9.9	10.1	24.8	24.8	24.8
Cash and cash equivalents	169.9	303.1	453.6	385.4	422.1	306.3	333.6
(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
EQUITY AND LIABILITIES	2 801.4	3 438.6	3 827.7	3 923.5	4 510.3	4 428.0	4 298.3
Equity	983.0	1 053.9	1 242.7	1 449.0	1 529.7	1 624.5	1 726.1
Minority interests	102.6	114.9	140.8	9.7	10.3	11.0	11.7
Long-term liabilities	461.5	634.5	817.7	756.9	744.5	744.5	649.5
Loans, financial leases	329.9	435.9	603.4	551.6	544.1	544.1	449.1
Reserves	92.6	101.1	104.1	118.4	112.0	112.0	112.0
Other	39.0	97.5	110.3	86.9	88.4	88.4	88.4
Short-term liabilities	1 254.4	1 635.3	1 626.5	1 708.0	2 225.9	2 047.9	1 910.9
Loans	229.4	317.5	154.6	316.7	633.7	533.7	533.7
Trade creditors	897.7	1 240.4	1 414.1	1 336.3	1 545.5	1 467.5	1 330.5
Long-term accruals	127.2	77.4	57.8	54.9	46.7	46.7	46.7
Debt	559.3	753.4	758.0	868.3	1 177.8	1 077.8	982.8
Net debt	389.4	450.4	304.5	482.9	755.8	771.6	649.2
(Net debt / Equity)	39.6%	42.7%	24.5%	33.3%	49.4%	47.5%	37.6%
(Net debt / EBITDA)	1.9	1.5	0.9	1.6	2.8	2.7	2.3
BVPS	2.1	2.3	2.7	3.1	3.0	3.2	3.4

Cash Flows

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
Operating cash flows	-203.8	355.5	544.4	37.2	-105.0	169.6	311.4
Net income	100.1	120.1	156.4	109.7	102.0	94.8	101.6
D&A expenses	45.0	70.4	78.6	87.7	96.7	97.1	98.1
Working capital	-463.0	193.1	280.0	-222.1	-305.6	-111.3	29.9
Other	114.1	-28.1	29.4	62.0	2.0	89.0	81.8
Cash flows from investing activities	-97.1	-303.4	-349.1	-128.3	-82.7	-97.1	-108.1
CAPEX	-143.7	-323.9	-352.1	-136.5	-85.6	-97.1	-108.1
Capital investment	46.9	0.0	0.0	6.7	0.0	0.0	0.0
Other	-0.2	20.5	3.1	1.4	2.9	0.0	0.0
Cash flows from financing activities	257.7	100.1	-53.3	27.4	234.9	-188.3	-176.0
Stock issue	0.0	0.0	0.0	0.0	0.6	0.0	0.0
Debt	109.6	152.6	-44.9	110.1	307.3	-100.0	-95.0
Dividend (buy-back)	-8.5	-4.6	-4.6	-18.1	-20.0	0.0	0.0
Other	156.7	-47.9	-3.7	-64.5	-52.9	-88.3	-81.0
Change in cash	-43.1	152.2	142.1	-63.6	47.2	-115.8	27.3
Cash at period-end	143.1	295.2	437.4	373.8	421.1	305.3	332.6
DPS (PLN)	0.02	0.01	0.01	0.04	0.04	0.00	0.00
FCF	-442.8	172.6	196.2	-104.2	-126.0	69.5	200.7
(CAPEX / Sales)	2.6%	7.5%	7.3%	3.1%	1.7%	1.9%	2.3%

Market multiples

	2007	2008	2009	2010	2011F	2012F	2013F
P/E	7.8	6.5	5.0	7.1	8.4	9.1	8.4
P/CE	5.4	4.1	3.3	4.0	4.3	4.5	4.3
P/BV	0.8	0.7	0.6	0.5	0.6	0.5	0.5
P/S	0.2	0.2	0.2	0.2	0.2	0.2	0.2
FCF/EV	-34.7%	12.8%	15.0%	-7.7%	-7.8%	4.2%	13.2%
EV/EBITDA	6.2	4.5	3.8	4.5	6.0	5.7	5.3
EV/EBIT	8.0	5.9	4.9	6.4	9.3	8.7	8.1
EV/S	0.3	0.3	0.3	0.3	0.3	0.3	0.3
DYield	1.1%	0.6%	0.6%	2.3%	2.3%	0.0%	0.0%
Price (PLN)	1.69						
Shares at year-end (millions)*	463.6	463.6	508.0	508.0	508.0	508.0	508.0
MC (PLN m)	783.5	783.5	858.5	858.5	858.5	858.5	858.5
Equity attributable to minority shareholders (PLN m)	102.6	114.9	140.8	9.7	10.3	11.0	11.7
EV (PLN m)	1 275.5	1 348.7	1 303.8	1 351.1	1 624.5	1 641.0	1 519.4

* adjusted for maximum dilution possible under the incentive scheme and for treasury shares held by Polimex-Cekop-Development

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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%

Recommendations are updated at least once every nine months.

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Previous ratings issued for Polimex

rating	Accumulate	Hold	Buy	Buy
rating day	2011-05-20	2011-07-05	2011-08-11	2012-01-23
price on rating day	3.09	3.32	1.88	1.66
WIG on rating day	48747.55	48481.82	37368.93	39518.87