BRE Bank Securities

9 March 2009

Update

Construction
Poland

PBG

PBGG.WA; PBG.PW

Hold

(Reiterated)

Current price	**PLN 204.4**
Target price	**PLN 195.6**
Market cap	PLN 2.74bn
Free float	PLN 1.46bn
Average daily trading (3M)	PLN 10.27m

Shareholder Structure

Jerzy Wiśniewski	33.47%
ING Nationale-Nederlanden Polska OFE	6.80%
BZ WBK AIB TFI	6.61%
Others	53.12%

Industry Outlook

We use a sectoral approach in our analysis of the building industry. At the moment, the outlook for road and railroad development, as well as environmental engineering and power engineering, is most bullish. Our view on chemical-plant engineering is neutral, while building construction is experiencing a downturn.

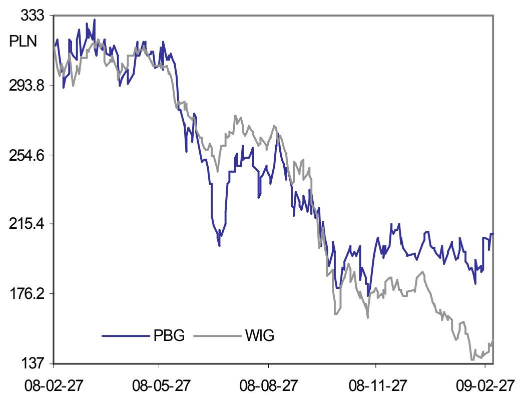
Company Profile

PBG is a highly specialized construction company focusing on environmental projects, natural gas and petroleum installations and fuel storage constructions. It also operates in the general construction segment. The Company also manufactures steel frames, and it is planning to enter real-estate development.

Important Dates

15.05 - Q1 2009 report
17.08 - Q2 2009 report
31.08 - FY2008 report

PBG vs. WIG



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Choosing Between Revenues and Profits

PBG reported fourth-quarter results in line with the estimates announced on February 13th. The company's contract backlog is among the largest in the industry (PLN 6.2bn incl. PLN 2.7bn to be recognized in 2009), and is mostly comprised of contracts executed amid favorable industry conditions which allow for considerable cost savings. Even so, PBG cannot be deemed an attractive investment (a positive rating would require us to assume a sustained upward trend in margins as well as revenues). This year, the company's environmental-engineering business is likely to face a choice of either revenue growth, or margin expansion, due to increased competition caused by a slowdown in building- and industrial construction. We doubt that PBG's contract pipeline will increase much more in 2009. What is more, one of the more lucrative contracts in the pipeline, the US $210m Nairit Plant deal, might not take off due to financing issues (without this contract, the backlog value falls from PLN 6.2bn to PLN 5.6bn at a USD/PLN exchange rate of 2.6 as translated in April 2008).

PBG is priced at a 36.7% premium to comparable construction firms. We are reiterating a hold rating and lowering our price target on PBG to PLN 195.6 per share.

Outlook for 2009 and 2010

We expect PBG to generate considerable cost savings on its existing contract backlog (how considerable these savings will be depends on the company's employee incentive plan). In Q408, PBG recognized mark-to-market losses on derivatives in the amount of PLN 22.3m. In 2009, the company plans to reverse a PLN 7.2m allowance. Opportunities to seize new contracts for environmental-engineering services this year will be fewer due to increased competition. In the road development business, PBG's Management's expectations with respect to revenues seem to us overly sanguine. Finally, there are concerns that a US $210m contract for a synthetic-rubber plant for Nairit Plant will be canceled.

Value Enhancing Opportunities, Possible Forecast Revisions

PBG can increase its value by making smart acquisitions, similar to those made in the past (Hydrobudowa Włocławek, Hydrobudowa Śląsk). The company is seriously considering a takeover of a Ukrainian company for ca. PLN 40m, and is working out an interesting, but in our view not very realistic plan, of swapping its interests in Hydrobudowa Polska for interests in Polimex (we predict differences of opinion as to the exchange ratio).

(PLN m)	2007	2008	2009F	2010F	2011F
Revenues	1376.8	2089.3	2953.8	3052.0	3236.1
EBITDA	138.2	270.3	431.8	386.3	393.1
EBITDA margin	*10.0%*	*12.9%*	*14.6%*	*12.7%*	*12.1%*
EBIT	109.4	223.4	385.0	339.3	345.9
Net income	102.1	158.0	248.4	213.9	219.9
P/E	26.9	17.4	11.1	12.8	12.5
P/CE	21.0	13.4	9.3	10.5	10.3
P/BV	3.7	2.7	2.2	2.2	2.1
EV/EBITDA	22.4	13.3	8.3	9.3	9.2
DYield	0.1%	0.0%	0.0%	7.2%	7.0%

Q408 results

Reported fourth-quarter results vs. our estimates, PAP consensus, and PBG's guidance

(PLN m)	Q4 2008	Q4 2007	change	our estimates	differ.	consensus	differ.	2008	PBG guidance	differ.
Revenues	720.3	577.3	24.8%	780.0	-7.7%	730.0	-1.3%	2089.3	2100.0	-0.5%
Gross profit	129.7	80.2	61.7%	111.9	16.0%	-	-	338.1	-	-
%	18.0%	13.9%	-	14.3%	-	-	-	16.2%	-	-
EBIT	80.8	45.0	79.7%	84.6	-4.5%	85.8	-5.9%	223.4	220.0	1.6%
Pre-tax income	90.6	55.9	62.1%	92.6	-2.1%	-	-	213.5	-	-
Net income	73.5	39.5	86.2%	73.3	0.3%	66.3	10.9%	158.0	158.0	0.0%

Source: BRE Bank Securities, PBG, PAP

Fourth-Quarter Results

PBG's reported Q408 results were in line with the revised guidance released on 13th February. Revenues missed our expectations (we overestimated subsidiary sales), while the gross profit margin was higher than predicted at 18.0% (vs. 15.1% in Q3, 14.5% in Q2, and 16.0% in Q1), even after a reduction by ca. PLN 22.3m due to valuation losses on forward contracts (ineffective hedges). The strong margin was offset by higher-than-expected SG&A expenses and other operating expenses (PLN 15.1m). As a result, Q408 operating profit fell slightly short of our estimate. Pre-tax income and net income were in line.

Future Outlook by Business Segment

Gas and Oil

Prospects

In our opinion, oil-and-gas engineering remains the most lucrative segment of PBG's business. Profit margins in the segment are expected to stay strong in the next few years thanks to orders from Poland's gas monopoly PGNiG, to decline after the company completes the LMG gas-and-oil mine and the gas storage in Wierzchowice. Engineering companies can generate gross margins reaching 20% on advanced and complex gas and oil systems, or alternatively in an environment with little competition. For example, such robust profitability was enjoyed by international firms which built underwater drilling facilities during the commodity boom. After PBG completes the PGNiG contracts, it will probably have to venture out into foreign markets, where competitive pressures are much stronger.

Will Financial Auditors Force a Reduction In Revenues?

We hear that financial auditors have been discussing the idea that a leader of a consortium of contractors should not recognize the whole of the revenue offered by a contract, but rather the portion which corresponds to its stake in the consortium. Such a change implies downward revisions in the value of PGNiG's contracts by some PLN 300m each (resulting in a PLN 600m reduction in the portfolio). However, margins and profits would remain intact.

Environmental Engineering

Competition Heats Up

Contract acquisition in the environmental-engineering market will be less successful this year than last. Large construction firms display an increasing interest in this type of orders, and are likely to compete with PBG with prices. An increase in competition for smaller environmental-engineering contracts has been observed for some time, and now more companies are also starting to vie for larger orders (sewage treatment plants, waste incinerators) as the downturn in building construction prompts them to seek government contracts with guaranteed payment. Note that PBG is able to finance the initial stages of contract completion from its own capital, but so are its biggest rivals. That is why the company's environmental-engineering subsidiary Hydrobudowa is not likely to report much revenue growth in 2010 and 2011 even though it operates in a growth industry.

Lucrative Opportunities From Specialized Orders

Opportunities to make ample profits without much competitive strife remain present in the sector of specialist engineering solutions (such as trenchless sewer repair). PBG has recently announced that a consortium formed by its subsidiaries, Hydrobudowa 9, PRG Metro, and KWG, made the best bid in a tender to build influent sewage pipelines for the "Czajka" sewage treatment plant in Warsaw. The consortium offered EUR 52.8m (PLN 250m) compared to EUR

55.5m quoted by a consortium involving Pol-Aqua and EUR 67.2m offered by an international consortium

Fuel Storage Tanks

Competitive Pressures

Competitive pressures in the supply of fuel storage tanks could also increase as other industrial engineering companies face a shortage of orders. As a result, PBG's margins are expected to decrease from 19% in 2007 and 15% in 2008 to 13% in 2009.

Other Construction Services (incl. Roads)

Opportunities and Risks In Road Development

PBG aims to accumulate a contract portfolio worth PLN 200-300m this year (orders captured to date total PLN 40m), and PLN 300-500m next year. The infrastructure industry is expected to continue its robust growth in a steady competitive environment in the years ahead. As for PBG, its growth in road construction could be affected by high price demands. Like Erbud, PBG's road subsidiaries have a history of high profit margins, and the company's management should be careful not to repeat Erbud's mistake of offering expensive services and losing contract bids and potential revenues.

Aggregate-Mining Joint Venture

PBG teamed up with investment funds to form a quarry joint venture. PBG has already contributed one quarry, and plans to contribute another by the end of the year, and the role of the funds is to finance the aggregate mining operations (the estimated cost is £20m). By 2011, the joint venture will operate four quarries producing 3.5 million tons of aggregate per year. In addition to sales profits, PBG will also gain access to cheap aggregate through this project. The quarry venture will add to the company's profits, and will be useful for purposes of road-building contracts.

Undertakings Affected by Financial Crisis

PBG is looking for tenants for an office building which it plans to develop in Poznań. The company says that banks approve of the investment, but, to obtain financing on good terms, it has first got to sign preliminary leases for a portion of the future office space (a tough task during times when most businesses are holding investment). Further, PBG was hired to take part in the renovation of synthetic-rubber production facilities in Armenia (Nairit Plant). The contract was signed in April 2008, and was scheduled for completion in October 2010, but the renovation has not started to this day because of lack of financing. Talks with lenders are underway, and PBG hopes to start work still this year, but we doubt that it will (taking into account the financial crisis and falling auto sales which squeeze the demand for rubber). The FX exposure under the US $210m contract is not hedged. In the unlikely event that the Nairit Plant project does go forward, the parties will probably want to renegotiate prices to account for the decreased costs and steel prices. If the contract is terminated, PBG's backlog will decrease from PLN 6.2bn to PLN 5.6bn (the fee is translated at a USD/PLN exchange rate of 2.6).

Other Strategic Objectives

Acquisition in the Ukraine

PBG plans to acquire a Ukrainian company with a long track record in gas and oil engineering, environmental engineering, and general construction, which has had to scale back operations after its parent company went bankrupt. Its business is reduced to just one housing project in Kiev. Last year, that company generated a revenue of PLN 100m.
A controlling stake in the Ukrainian company would cost PBG PLN 40m (P/S = 0.4) – a hefty price for a firm with just one contract in the pipeline. But PBG hopes to reactivate the gas-and-oil and environmental-engineering lines, and hire the firm as its subcontractor in Poland.

Cost Cuts and Streamlining

PBG plans to spin off an operation which will deal with small contracts. The new company, which will be founded on the former "Hydrobudowa Polska Konstrukcje" (to be purchased from Hydrobudowa Polska for PLN 9m), will take over 200 PBG employees, and handle small orders under the name of "PBG Technologie." It is expected to generate between PLN 150m and PLN 200m in annual sales.

Improved Balance-Sheet Position, Cash Inflows

At December 2008, PBG had the largest debt of all Polish construction firms (net debt at PLN 751m, incl. PLN 717.8m in short-term payables which will be rolled over at higher margins). In our opinion, this debt is not a risk factor because it stems from the nature of environmental-engineering contracts (which start to generate cash inflows in the second year of their effective terms). PBG uses credit lines for a total of PLN 1.75 billion. In 2010 and 2011, the company expects to generate cash which can be used to finance investment.

Hydrobudowa Polska / Polimex Mostostal Stock Swap?

PBG has an idea to exchange shares of Hydrobudowa Polska for shares of Polimex Mostostal. While not easy to carry out (there would be issues with the exchange ratio), such a transaction could benefit both companies in the long term by reducing market competition and boosting margins.

Relative Valuation

We compared PBG with Polish construction companies, and foreign companies specializing in gas and oil engineering. In our view, the comparability of PBG and other construction firms is limited due to the nature of environmental-engineering contracts, which require the contractor to finance the initial stages of completion, and which do not start to generate positive cash flows until year two. As a result, when compared to other sectors of the construction industry, environmental engineering generates higher gross margins because of the effect of time cost of money, which can be eliminated with the DCF valuation model.

PBG: Comparison Versus Polish Peers

	2009E P/E	2010E P/E	2009E EV/EBITDA	2010E EV/EBITDA	2009E P/S	2010E P/S
Mostostal Warszawa	8.2	10.4	4.0	5.1	0.33	0.32
Budimex	9.9	10.7	5.4	6.1	0.42	0.31
Erbud	8.4	11.8	6.2	9.2	0.32	0.34
Elektrobudowa	10.7	9.9	8.9	8.6	0.71	0.70
Polimex Mostostal	8.6	10.0	5.5	5.9	0.27	0.28
Trakcja Polska	9.3	7.8	6.7	5.9	0.62	0.54
Median	**8.9**	**10.2**	**5.9**	**6.0**	**0.38**	**0.33**
PBG	11.1	12.8	8.3	9.3	0.93	0.93
Premium	24.1%	25.6%	42.2%	55.1%	146.7%	179.8%

Source: BRE Bank Securities

PBG: Comparison Versus Foreign Peers

	2009E P/E	2010E P/E	2009E EV/EBITDA	2010E EV/EBITDA	2009E P/S	2010E P/S
Technip	7.6	9.2	1.8	2.0	0.45	0.49
McDermott International	7.3	5.7	2.9	2.5	0.39	0.39
Fluor Corporation	8.4	9.3	3.1	3.5	0.24	0.26
Foster Wheeler	5.7	6.5	2.9	3.3	0.34	0.36
KBR	7.1	7.3	1.4	1.4	0.17	0.19
Shaw Group	8.8	7.5	5.3	5.0	0.25	0.23
JGC	9.0	8.4	2.7	2.5	0.60	0.49
Chiyoda	19.9	16.3	-1.6	-1.6	0.22	0.29
Linde	9.8	8.8	6.1	5.7	0.67	0.64
Tecnicas Reunidas	8.3	8.5	4.4	4.6	0.47	0.48
Median	**8.4**	**8.5**	**2.9**	**2.9**	**0.37**	**0.38**
PBG	**11.1**	**12.8**	**8.3**	**9.3**	**0.93**	**0.90**
Premium	32.3%	51.9%	187.5%	221.4%	154.6%	139.8%

Source: BRE Bank Securities, Bloomberg

Our revised financial estimates for PBG suggest a trading premium versus Polish and foreign peers, reaching 36.7% and 123.2% respectively on P/E and EV/EBITDA multiples. We believe that the earnings consensus for foreign engineering firms may be overstated, meaning that the actual multiples may be higher.

Earnings Forecast and Valuation

Using a DCF valuation model, we set the nine-month per-share price target on PBG at PLN 195.6/share, and we recommend holding the stock.

DCF Analysis

Assumptions:
- Risk-free rate = 6.3% (10Y T-bond yield).
- FCF growth after FY2017 = 3%.
- We assume that environmental engineering contracts will continue to involve extensive financing from internal funds.
- We omitted valuation of future real-estate projects at their liquidation value (the book value of the land is ca. PLN 52m, or nearly PLN 3.9 per share).
- We did not factor in the potential future profits from the development and sale of an office building under a project planned by Hydrobudowa Polska.

DCF Valuation Model

(PLN m)	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2018+
Revenues	**2 953.8**	**3 052.0**	**3 236.1**	**3 435.6**	**3 626.8**	**3 807.5**	**3 984.3**	**4 167.9**	**4 349.7**	**4 517.4**	
change	*41.4%*	*3.3%*	*6.0%*	*6.2%*	*5.6%*	*5.0%*	*4.6%*	*4.6%*	*4.4%*	*3.9%*	
EBITDA	**431.8**	**386.3**	**393.1**	**412.2**	**394.1**	**411.1**	**427.8**	**445.9**	**462.8**	**478.8**	
EBITDA margin	*14.6%*	*12.7%*	*12.1%*	*12.0%*	*10.9%*	*10.8%*	*10.7%*	*10.7%*	*10.6%*	*10.6%*	
Amortization and depreciation	46.7	47.0	47.2	47.4	47.7	47.9	48.1	48.4	48.4	48.4	
EBIT	**385.0**	**339.3**	**345.9**	**364.8**	**346.5**	**363.2**	**379.7**	**397.5**	**414.4**	**430.5**	
EBIT margin	*13.0%*	*11.1%*	*10.7%*	*10.6%*	*9.6%*	*9.5%*	*9.5%*	*9.5%*	*9.5%*	*9.5%*	
Tax rate on EBIT	73.2	64.5	65.7	69.3	65.8	69.0	72.1	75.5	78.7	81.8	
NOPLAT	**311.9**	**274.9**	**280.2**	**295.5**	**280.7**	**294.2**	**307.6**	**322.0**	**335.7**	**348.7**	
CAPEX	-48.9	-49.1	-49.4	-49.6	-49.9	-50.1	-50.4	-50.6	-50.6	-48.4	
Working capital	-40.0	-7.7	-45.0	-46.5	-35.5	-45.9	-37.4	-38.3	-38.2	-27.4	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCF	**269.8**	**264.9**	**233.0**	**246.7**	**242.9**	**246.0**	**267.9**	**281.4**	**295.2**	**321.3**	**331.0**
WACC	*10.6%*	*10.7%*	*10.6%*	*10.6%*	*10.5%*	*10.6%*	*10.6%*	*10.6%*	*10.6%*	*9.9%*	
discount factor	*91.9%*	*83.1%*	*75.1%*	*67.9%*	*61.4%*	*55.6%*	*50.2%*	*45.4%*	*41.1%*	*37.4%*	
PV FCF	247.9	220.1	175.0	167.5	149.2	136.7	134.6	127.8	121.2	120.1	

WACC	***10.6%***	***10.7%***	***10.6%***	***10.6%***	***10.5%***	***10.6%***	***10.6%***	***10.6%***	***10.6%***	***9.9%***
Cost of debt	*7.9%*	*7.9%*	*7.9%*	*7.9%*	*7.9%*	*7.9%*	*7.9%*	*7.9%*	*7.9%*	*7.1%*
Risk-free rate	*6.4%*	*6.4%*	*6.4%*	*6.4%*	*6.4%*	*6.4%*	*6.4%*	*6.4%*	*6.4%*	*5.6%*
Risk premium	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*
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	*15%*	*15%*	*16%*	*16%*	*17%*	*17%*	*16%*	*16%*	*16%*	*15%*
Cost of equity	*11.4%*	*11.4%*	*11.4%*	*11.4%*	*11.4%*	*11.4%*	*11.4%*	*11.4%*	*11.4%*	*10.6%*
Risk premium	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

FCF growth after the forecast horizon	*3.0%*
Terminal value	4 826.4
Present value of the terminal value (PV TV)	1 803.7
Present value of FCF in the forecast horizon	1 600.1
Discounted FCF	3 403.8
Net debt	545.0
Other non-core business	0.0
Minority interests	435.9
Equity value	2 422.9
Number of shares (millions)	13.4
Equity value per share (PLN)	**180.4**
Cost of equity (9M)	8.4%
Target Price	**195.6**

Sensitivity Analysis

FCF growth in perpetuity

	2.0%	**2.5%**	**3.0%**	**3.5%**	**4.0%**
WACC -1.0ppt	177.2	186.5	197.1	209.4	223.8
WACC -0.5ppt	176.5	185.7	196.3	208.6	222.9
WACC	175.8	185.0	**195.6**	207.7	222.0
WACC +0.5ppt	175.1	184.2	194.7	206.9	221.1
WACC +1.0ppt	174.4	183.5	193.9	206.0	220.2

EV/EBITDA('09) for the target price	9.0
P/E('09) for the target price	9.8
TV to EV	53%

Income Statement

(PLN m)	2006	2007	2008	2009F	2010F	2011F
Revenues	**674.3**	**1 376.8**	**2 089.3**	**2 953.8**	**3 052.0**	**3 236.1**
change	*65.1%*	*104.2%*	*51.8%*	*41.4%*	*3.3%*	*6.0%*
Cost of sales	558.2	1 191.7	1 751.2	2 455.0	2 587.8	2 757.7
Gross profit	116.1	185.0	338.1	498.7	464.2	478.4
gross profit margin	*17.2%*	*13.4%*	*16.2%*	*16.9%*	*15.2%*	*14.8%*
Selling costs	-1.4	-0.4	0.0	-0.6	-0.6	-0.6
General and administrative expenses	-52.8	-79.6	-106.8	-118.2	-122.1	-129.4
Other net operating profit	10.0	4.3	-7.8	5.1	-2.2	-2.4
EBIT	**72.0**	**109.4**	**223.4**	**385.0**	**339.3**	**345.9**
change	*74.1%*	*52.0%*	*104.3%*	*72.3%*	*-11.9%*	*1.9%*
EBIT margin	*10.7%*	*7.9%*	*10.7%*	*13.0%*	*11.1%*	*10.7%*
Profit on financing activity	-2.0	34.7	-9.9	-35.0	-27.3	-27.7
Other	0.0	0.0	0.0	0.0	0.0	0.0
Gross profit	**69.9**	**144.1**	**213.5**	**350.1**	**312.0**	**318.2**
Tax	-15.0	-26.7	-25.8	-50.5	-59.3	-60.5
Minority interests	-2.7	-15.4	-29.7	-51.1	-38.8	-37.9
Net income	**52.2**	**102.1**	**158.0**	**248.4**	**213.9**	**219.9**
change	*44.6%*	*95.6%*	*54.9%*	*57.2%*	*-13.9%*	*2.8%*
margin	*7.7%*	*7.4%*	*7.6%*	*8.4%*	*7.0%*	*6.8%*
Amortization and depreciation	16.6	28.8	46.8	46.7	47.0	47.2
EBITDA	**88.5**	**138.2**	**270.3**	**431.8**	**386.3**	**393.1**
change	*76.5%*	*56.1%*	*95.6%*	*59.8%*	*-10.5%*	*1.8%*
EBITDA margin	*13.1%*	*10.0%*	*12.9%*	*14.6%*	*12.7%*	*12.1%*
Shares at year-end (millions)	12.0	13.4	13.4	13.4	13.4	13.4
EPS	4.3	7.6	11.8	18.5	15.9	16.4
CEPS	5.7	9.7	15.3	22.0	19.4	19.9
ROAE	*19.2%*	*18.3%*	*18.0%*	*21.9%*	*16.9%*	*17.1%*
ROAA	*6.1%*	*6.1%*	*6.1%*	*8.5%*	*7.0%*	*7.0%*

Balance Sheet

(PLN m)	2006	2007	2008	2009F	2010F	2011F
ASSETS	**1 045.1**	**2 289.3**	**2 857.0**	**3 014.2**	**3 084.6**	**3 175.2**
Fixed assets	**373.6**	**717.9**	**909.3**	**911.5**	**913.7**	**915.9**
Intangible assets	4.7	13.3	14.6	14.6	14.6	14.6
Equity value	72.0	267.4	333.1	333.1	333.1	333.1
Property, plant and equipment	266.5	307.0	411.5	413.7	415.9	418.1
Long-term investments	0.7	62.0	53.6	53.6	53.6	53.6
Other	29.8	68.2	96.6	96.6	96.6	96.6
Current assets	**671.4**	**1 571.3**	**1 947.6**	**2 102.7**	**2 170.9**	**2 259.3**
Inventories	19.4	40.1	69.3	97.1	102.4	109.1
Receivables	293.6	602.6	725.1	1 025.1	1 059.2	1 123.1
Accounts receivable under construction contracts	275.8	445.2	777.8	729.7	753.2	790.9
Short-term prepayments	7.7	14.7	21.1	21.1	21.1	21.1
Cash and cash equivalents	51.3	410.3	289.7	165.0	170.3	150.5
Other	23.5	58.4	64.7	64.7	64.7	64.7

(PLN m)	2006	2007	2008	2009F	2010F	2011F
LIABILITIES	**1 045.1**	**2 289.3**	**2 857.0**	**3 014.2**	**3 084.6**	**3 175.2**
Equity	**367.2**	**748.0**	**1 010.9**	**1 259.3**	**1 274.5**	**1 301.9**
Minority shares	12.1	34.6	103.7	103.7	103.7	103.7
Long-term liabilities	**212.7**	**330.0**	**364.8**	**301.7**	**301.7**	**301.7**
Loans, finance leases	180.2	258.6	323.1	260.0	260.0	260.0
Reserves and other	32.4	71.4	41.7	41.7	41.7	41.7
Short-term liabilities	**453.1**	**1 176.7**	**1 377.7**	**1 349.5**	**1 404.7**	**1 468.0**
Loans	205.0	466.7	717.8	450.0	450.0	450.0
Amounts owed to suppliers	232.1	543.2	538.0	754.3	795.0	847.2
Accounts payable under construction contracts	0.9	19.6	15.4	38.9	53.3	64.3
Other	15.1	147.2	106.4	106.4	106.4	106.4
Debt	385.2	725.2	1 040.9	710.0	710.0	710.0
Net debt	333.9	314.9	751.2	545.0	539.7	559.5
(Net debt / Equity)	*90.9%*	*42.1%*	*74.3%*	*43.3%*	*42.3%*	*43.0%*
(Net debt / EBITDA)	3.8	2.3	2.8	1.3	1.4	1.4
BVPS	30.5	55.7	75.3	93.8	94.9	96.9

Cash Flows

(PLN m)	2006	2007	2008	2009F	2010F	2011F
Cash flows from operating activities	**-134.2**	**-117.6**	**-255.5**	**227.1**	**280.5**	**249.8**
Net income	52.2	102.1	158.0	248.4	213.9	219.9
Amortization and depreciation	16.6	28.8	46.8	46.7	47.0	47.2
Working capital	-57.1	-177.7	-469.2	-40.0	-7.7	-45.0
Other	-145.8	-70.7	8.8	-28.1	27.3	27.7
Cash flows from investing activities	**-112.5**	**-179.0**	**-191.7**	**-48.9**	**-49.1**	**-49.4**
CAPEX	-88.1	-131.8	-191.9	-48.9	-49.1	-49.4
Capital investments	-42.2	-41.7	19.7	0.0	0.0	0.0
Other	17.8	-5.5	-19.6	0.0	0.0	0.0
Cash flows from financing activities	**217.0**	**655.5**	**325.1**	**-302.8**	**-226.1**	**-220.2**
Stock offering	187.3	333.1	292.3	0.0	0.0	0.0
Debt	46.1	342.2	74.0	-267.8	0.0	0.0
Dividend (buy-back)	0.0	-1.9	0.0	0.0	-198.7	-192.5
Other	-16.4	-17.9	-0.4	0.0	0.0	0.0
Change in cash	**-29.7**	**358.9**	**-122.2**	**-124.6**	**5.3**	**-19.8**
Cash at the end of period	51.3	410.3	289.7	165.0	170.3	150.5
DPS (PLN)	0.0	0.1	0.0	0.0	14.8	14.3
FCF	-76.6	-207.7	-473.9	269.8	264.9	233.0
(CAPEX / Sales)	*13.1%*	*9.6%*	*9.2%*	*1.7%*	*1.6%*	*1.5%*

Market multiples

	2006	2007	2008	2009F	2010F	2011F
P/E	47.1	26.9	17.4	11.1	12.8	12.5
P/CE	35.8	21.0	13.4	9.3	10.5	10.3
P/BV	6.7	3.7	2.7	2.2	2.2	2.1
P/S	3.6	2.0	1.3	0.9	0.9	0.8
FCF/EV	*-2.7%*	*-6.7%*	*-13.2%*	*7.5%*	*7.4%*	*6.5%*
EV/EBITDA	31.7	22.4	13.3	8.3	9.3	9.2
EV/EBIT	39.0	28.3	16.1	9.3	10.6	10.4
EV/S	4.2	2.2	1.7	1.2	1.2	1.1
DYield	*0.0%*	*0.1%*	*0.0%*	*0.0%*	*7.2%*	*7.0%*
Price (PLN)	**204.4**					
Shares at year-end (millions)	12.0	13.4	13.4	13.4	13.4	13.4
MC (PLN m)	2458.9	2745.1	2745.1	2745.1	2745.1	2745.1
Equity attributable to minority shareholders (PLN m)	12.1	34.6	103.7	103.7	103.7	103.7
EV (PLN m)	2 804.9	3 094.6	3 600.0	3 600.0	3 600.0	3 600.0

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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%
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Rating	Hold	Accumulate	Accumulate	Accumulate	Hold
Date issued	2008-09-12	2008-11-05	2008-11-17	2008-11-25	2009-03-09
Price on rating day	246.90	200.00	191.20	197.50	207.00
WIG on rating day	39572.33	29600.54	27110.59	26964.31	22948.51