

Recommendations

		Price*	Mkt. Cap*	P/E* (x)		EV/EBITDA* (x)		Fair	Upside
		(local)	(€ m)	2010F	2011F	2010F	2011F	value	(%)
Budimex	Hold (maintained)	93.00	604.2	11.94	14.11	7.10	8.24	PLN 88.31	-5.0
PBG	Hold (downgraded)	250.2	910.1	14.65	11.73	9.67	7.96	PLN 261.64	4.6
Polimex	Buy (maintained)	4.55	541.4	14.84	14.46	6.71	7.25	PLN 5.54	21.8

Source: Bloomberg, KBC Securities

*Calculated on 08 September closing prices

After a difficult start to the year, due to bad weather, construction activity has picked up during the summer with increased road construction. Poland plans to spend on roads PLN 20bn in 2010 and PLN 35bn in 2011. We also expect growth to pick up in other segments, particularly power engineering. Whilst road contracts boost revenues, they are also typically low margin, thus we favour companies with growing exposure to higher-margin segments such as oil and gas (e.g. PBG's LNG contract) and power engineering (e.g. PBG and Polimex bidding on large energy contracts). This underpins relatively robust forecast profit growth at Polimex as well as our Buy rating on the company. With the LNG contract already priced in and PBG less well positioned to win new energy contracts, we have downgraded our rating on the company to Hold. With its lack of exposure to the growth prospects of energy and railways, we also maintain our Hold rating on Budimex.

Rating update

- **Energy contracts remain a catalyst:** Major upcoming energy contracts remain a catalyst for Poland's construction firms. Contracts worth PLN 18bn will be awarded in the first part of 2011. PBG and Polimex are the two most active firms and are bidding for contracts in Opole (PLN 10bn), Siekierki (PLN 3.2bn) and Kozenice (PLN 6bn). While these contracts will only be fully reflected in the companies' revenues from 2012, we expect the market to react in advance as soon as the contracts have been awarded.
- **Increase in road construction contracts:** After several large road contracts being awarded, we have upgraded our revenue growth estimates to account for these changes. We expect the highest growth rate for the segment in PBG (2009-2013 CAGR of 62.2%) though starting from a low base, followed by Polimex (2009-2014 CAGR of 15.1%) and lower growth for Budimex (2009-2013 CAGR of 11.2%) as it was already highly exposed to the segment.
- **Niche segments to support margins:** Road construction has an average gross margin of no more than 8%-9%, below the 2010 gross margin of PBG (13.8%), Polimex (10.9%) and Budimex (9.8%). The increase in road construction exposure thus puts pressure on margins. More profitable contracts in niche segments such as the LNG contract in the oil and gas segment won by PBG, power engineering contracts to be announced in 1H11, and rail and hydro construction contracts in the medium term should at least in part alleviate margin concerns.
- **Polimex is our top pick:** On a 2011F EV/EBITDA of 7.3x, the firm trades at a small discount to Polish peers but we believe a premium is warranted. Despite the recent shift in the backlog towards lower margin road construction, we believe Polimex remains the best prepared to take on additional contracts in the higher margin energy and rail construction segments, already having a strong foothold in these areas. Polimex is bidding in all power engineering contracts that should be awarded in the first half of 2011.
- **PBG downgraded to Hold:** On a 2011F EV/EBITDA of 8.0x, PBG trades at a premium to the sector average. We see PBG trading at an average between Polimex and Budimex multiples. The company has exposure to niche segments like oil and gas (recent LNG contract should have over a 20% margin), water and power engineering. However, it is likely that the water segment exposure will decrease in the short term, whilst its power engineering presence is weaker than in the case of Polimex and road construction is dragging down margins.
- **Budimex deserves a discount:** On a 2011F EV/EBITDA of 8.2x, Budimex trades at a premium to Polish peers. The firm's high exposure to infrastructure has led to a significant increase in backlog but we believe this will come at the expense of margins and that the firm is missing important exposure to segments such as energy and rail that have brighter prospects.

Lucian Albuлесcu, CFA
Robert Maj
Cezary Bernatek

+40 21 40 84 219
+48 22 581 08 24
+48 22 581 08 20

lucian.albuлесcu@kbcsecurities.ro
robert.maj@kbcsecurities.pl
cezary.bernatек@kbcsecurities.pl

Polish construction: Changes

		Fair Value	Rating	Net income			Fair value	Rating	Changes		
				2010F	2011F	2012F			NI 10	NI 11	NI 12
Budimex	Old	PLN 91.42	Hold	186.7	171.1	173.1	-3.40%	Maintained	6.5%	-1.7%	-5.3%
	New	PLN 88.31	Hold	198.9	168.2	164.0					
PBG	Old	PLN 247.04	Buy	244.4	270.8	292.2	5.91%	Downgraded	-0.1%	12.6%	16.0%
	New	PLN 261.64	Hold	244.1	305.0	339.1					
Polimex	Old	PLN 5.90	Buy	169.9	195.5	217.7	-6.06%	Maintained	-15.6%	-17.0%	-23.0%
	New	PLN 5.54	Buy	143.4	162.2	167.7					

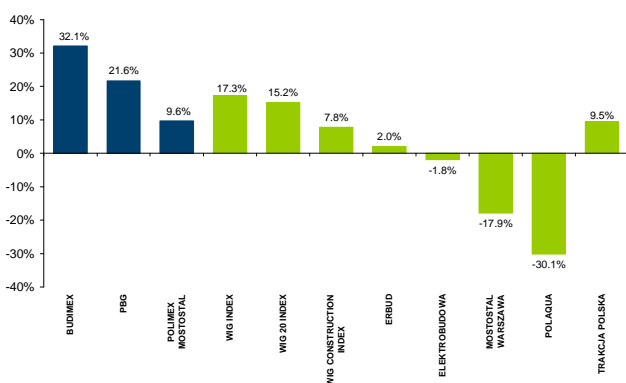
Source: KBC Securities

Covered Stocks: KBC forecasts versus consensus (PLN m)

Company		2010F			2011F			2012F		
		Cons	KBC	% diff.	Cons	KBC	% diff.	Cons	KBC	% diff.
Budimex	Sales	3,963.9	4,122.8	4.0%	4,245.9	4,231.4	-0.3%	4,499.3	4,438.8	-1.3%
	EBITDA	254.0	256.3	0.9%	222.8	219.1	-1.7%	226.1	214.9	-5.0%
	EBIT	233.3	234.8	0.7%	196.9	195.7	-0.6%	196.1	189.5	-3.4%
	Net profit	196.3	198.9	1.3%	171.3	168.2	-1.8%	174.4	164.0	-6.0%
PBG	Sales	3,261.2	3,390.2	4.0%	3,578.6	4,314.8	20.6%	4,054.1	4,737.1	16.8%
	EBITDA	383.1	403.3	5.3%	421.7	497.2	17.9%	450.4	540.0	19.9%
	EBIT	323.3	346.2	7.1%	345.0	421.9	22.3%	365.8	457.9	25.2%
	Net profit	230.9	244.1	5.7%	256.3	305.0	19.0%	289.2	339.1	17.2%
Polimex	Sales	4,773.9	4,589.0	-3.9%	5,046.8	5,188.8	2.8%	5,431.9	5,460.4	0.5%
	EBITDA	349.1	358.5	2.7%	363.8	376.7	3.6%	396.8	391.2	-1.4%
	EBIT	244.6	243.6	-0.4%	248.4	251.5	1.3%	276.1	262.1	-5.1%
	Net profit	163.1	143.4	-12.1%	185.7	162.2	-12.6%	216.6	167.7	-22.6%

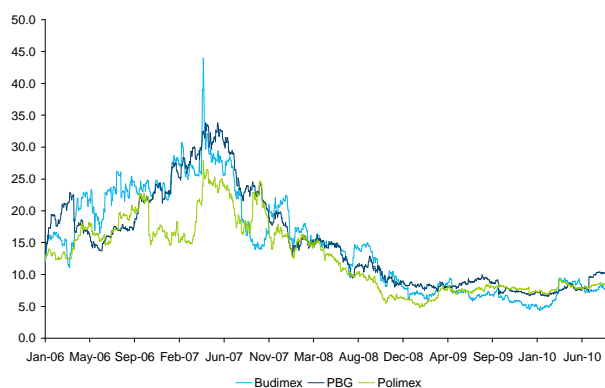
Source: KBC Securities, Bloomberg

12M performance: PL construction stocks vs. indices



Source: Bloomberg, KBC Securities

PL construction: Historical 12M forward EV/EBITDA



Source: Bloomberg, KBC Securities

Large contracts a potential catalyst

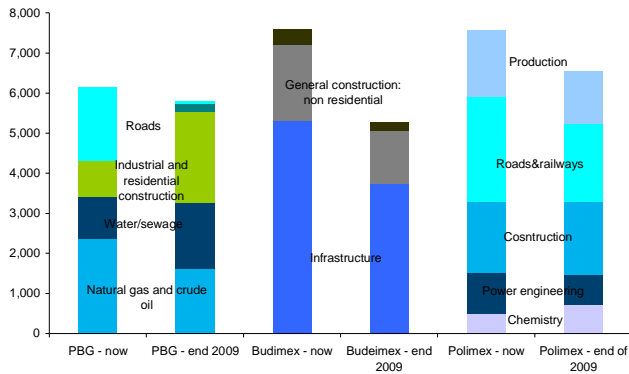
A series of large power engineering contracts are to be awarded either in late 2010 or the first part of 2011, which should provide a catalyst for the stock prices of those companies involved. Among the contracts are Opole (PLN 10bn - PGE), Sikierki (PLN 3.2bn - Vattenfall), Kozenice (PLN 7.4bn - ENEA) and Jaworzno (PLN 5bn – Tauron). The impact of these contracts on stock prices is, in our view, dependent on two factors: 1) the near-term revenues and earnings associated directly with completion of the one-off contract; 2) the potential for higher recurrent earnings related to incremental new business as a result of experience gained in a segment. A further consideration to be taken into account is that expectations should already be priced in with regard to the potential success of bidding firms (ie. revisions may also be negative in the case a potential contract is lost). Our updated probability tree includes the latest contracts where we have information on the bidders (Kozenice with 8 bidders among which Polimex and PBG, Jaworzno with 9 bidders among which PBG, Polimex and Budimex). We have dropped from our probability tree the LNG contract won by PBG (and correspondingly incorporated it fully into our forecasts for the company) and the A1 project which ran into financing problems (and correspondingly cut it proportionately from our forecast for Budimex). Additionally, we have changed the year when we estimate that these contracts will have a full effect on earnings to 2012.

Future energy contracts influencing companies under coverage

Contract		Winning			Losing		
		Polimex	PBG	Budimex	Polimex	PBG	Budimex
Opole power plant PLN 10bn	Share in contract	33%	33%	0%			
	Chance of winning	25%	25%	0%			
	Winner to be announced in						
	4Q2010/1Q2011	change in EBITDA	13.9%	10.1%	0.0%	-4.6%	-3.4%
	change in equity value	7.6%	5.3%	0.0%	-2.5%	-1.8%	0.0%
Siekierki power plant PLN 3.2bn	Share in contract	25%	0%	0%			
	Chance of winning	25%	0%	0%			
	Winner to be announced in						
	4Q2010/1Q2011	change in EBITDA	3.4%	0.0%	0.0%	-1.1%	0.0%
	change in equity value	1.8%	0.0%	0.0%	-0.6%	0.0%	0.0%
Kozenice power plant PLN 7.4bn	Share in contract	30%	50%	0%			
	Chance of winning	15%	15%	0%			
	Winner to be announced in						
	4Q2010/1Q2011	change in EBITDA	11.0%	13.3%	0.0%	-1.9%	-2.3%
	change in equity value	6.0%	6.9%	0.0%	-1.1%	-1.2%	0.0%
Jaworzno power plant PLN 5bn	Share in contract	30%	50%	30%			
	Chance of winning	12%	12%	12%			
	Winner to be announced in						
	2Q2011	change in EBITDA	7.4%	9.0%	13.5%	-1.0%	-1.2%
	change in equity value	3.6%	4.2%	4.2%	-0.5%	-0.6%	-0.6%

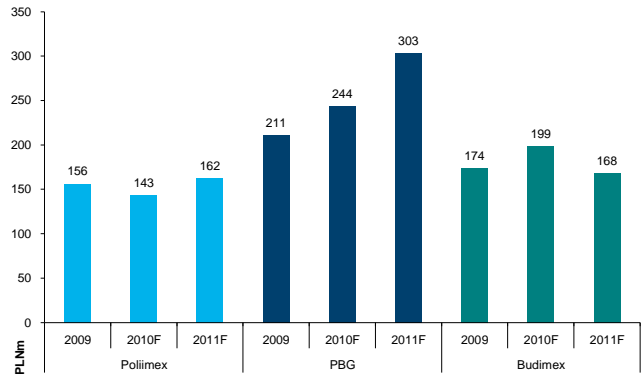
Source: KBC Securities, Company disclosures, Press articles

PL construction: Backlog segmentation



Source: Bloomberg, KBC Securities

PL construction: Net profit forecast



Source: company data, KBC Securities

Relative valuation

In our comparative valuation of Polish construction companies, our preferred metric is EV/EBITDA as it neutralizes the impact of differences in capital structure and taxes and includes differences in the level of indebtedness. Versus an average 2011F EV/EBITDA of 7.6x, Polimex (7.3x) trades at a discount and PBG (8.0x) and Budimex (8.2x) at a premium. We believe Polimex deserves the highest multiple in the sector as we see the company well prepared to increase its exposure to prospective segments (power engineering, rail construction), segments that provide higher margins. Additionally, the company is expected to benefit from recovery in general construction and steel structures. PBG should trade in line with the sector, albeit at a higher average, due to its growing exposure to the more profitable natural gas and oil-related segment and development in power engineering which compensate for declining water segment and lower margins in road construction. We believe Budimex warrants a discount to domestic peers as its backlog is significantly oriented towards the lower margin road construction where we think investments will decrease over the next 3 years after the construction of major highways. The company lacks exposure to important niche segments such as power engineering and oil and gas.

Relative valuation of construction coverage universe – on current prices

	EV/EBITDA			P/E		
	2010F	2011F	2012F	2010F	2011F	2012F
Budimex	7.1	8.2	8.6	11.9	14.1	14.5
PBG	9.7	8.0	7.2	14.7	11.7	10.5
Polimex Mostostal	6.7	7.2	6.8	14.8	14.5	14.0
Elektrobudowa	na	na	na	17.6	16.5	13.6
Mostostal Warszawa	6.3	6.8	5.8	13.6	15.9	14.5
Pol-Aqua	5.1	4.3	na	22.2	16.2	15.0
Trakcja Polska	9.0	8.0	6.2	16.6	13.2	10.3
Tier 1 average	7.8	7.8	7.5	13.8	13.4	13.0
PL sector Average	7.3	7.6	6.8	14.8	14.5	14.0
Premium / discount to PL sector average						
Budimex	-2.8%	8.3%	27.8%	-19.5%	-2.4%	3.5%
PBG	32.4%	4.7%	6.0%	-1.3%	-18.9%	-24.6%
Polimex Mostostal	-8.2%	-4.7%	0.0%	0.0%	0.0%	0.0%

Source: KBC Securities, Bloomberg

Relative valuation of construction coverage universe – on fair values

	EV/EBITDA (on KBC fair values)			P/E (on KBC fair values)		
	2010F	2011F	2012F	2010F	2011F	2012F
Budimex	6.6	7.7	8.1	11.3	13.4	13.8
PBG	10.1	8.3	7.5	15.3	12.3	11.0
Polimex Mostostal	8.0	8.6	8.1	18.1	17.6	17.0
Average	8.2	8.2	7.9	14.9	14.4	13.9
Premium / discount to average						
Budimex	-19.5%	-6.1%	2.7%	-24.0%	-7.1%	-1.3%
PBG	22.3%	1.2%	-5.1%	2.8%	-15.0%	-20.9%
Polimex Mostostal	-2.8%	5.0%	2.5%	21.2%	22.1%	22.2%

Source: KBC Securities

Relative foreign valuation of Polish construction companies – on current values

	EV/EBITDA			P/E		
	2010F	2011F	2012F	2010F	2011F	2012F
Balfour Beatty	3.3	3.2	3.2	7.3	7.0	6.9
Bauer	6.2	5.4	4.9	13.5	9.8	8.3
Fomento De Construcciones Y Contra	7.2	6.9	6.7	8.6	8.3	7.9
Hochtief	3.6	3.4	3.0	16.6	14.5	12.0
Obrascon-Huarte-Lain	7.1	6.5	5.6	10.4	9.4	7.9
Sacyr Vallehermoso	24.6	22.5	20.3	18.8	12.2	8.7
Skanska	6.7	6.7	6.1	14.6	14.8	13.4
Bouygues	4.2	3.8	3.5	9.6	8.9	8.0
Mota-Engil	7.0	6.7	5.3	12.5	8.6	7.9
ACS	13.1	13.0	12.1	11.8	11.4	11.1
Acciona	9.4	8.6	7.9	18.7	14.9	12.1
Grupo Ferrovial	11.8	11.2	10.5	n.a.	n.a.	n.a.
Eiffage	8.8	8.3	7.7	14.0	12.3	10.8
Bilfinger Berger	7.6	7.0	6.5	9.4	9.1	8.0
YIT Oyj	n.a.	n.a.	n.a.	15.9	11.8	9.7
Impregilo	5.3	4.4	4.1	14.8	9.7	8.5
Vinci	6.5	6.2	5.9	11.7	11.1	10.3
Teixeira Duarte - Engenharia	6.7	6.6	6.3	2.2	4.3	4.5
Average total	7.0	6.7	6.1	12.5	9.8	8.5
Premium/discount to total						
Budimex	1.1%	23.3%	41.5%	-4.6%	44.1%	69.7%
PBG	37.7%	19.2%	17.4%	17.1%	19.8%	23.6%
Polimex Mostostal	-4.4%	8.4%	10.8%	18.6%	47.7%	63.9%

Source: Bloomberg, KBC Securities

Construction		Current price	PLN 93.00*	Hold
Poland		Fair value	PLN 88.31	Rating maintained
Performance over	1M	3M	12M	
Absolute	-3%	2%	32%	
Rel. WIG20	-2%	-6%	15%	
12M Hi/Lo	PLN 104.50 / 68.00			
Reuters	BMEX.WA			
Bloomberg	BDX.PW			
Market cap	EUR 604.2m			
Next corporate event	3Q10 results - 27 October 2010			
PLN / EUR	3.93			
	PLN m	2009A	2010F	2011F
	Sales	3289.9	4122.8	4231.4
	EBITDA	221.7	256.3	219.1
	EBIT	200.5	234.8	195.7
	Net profit	173.7	198.9	168.2
	EPS (PLN)	6.8	7.8	6.6
	P/E (x)	13.7	11.9	14.1
	DPS (PLN)	5.8	6.8	5.5
	Dividend Yield (%)	6.3%	7.3%	5.9%
	EV/EBITDA (x)	6.9	7.1	8.2

Source: KBC Securities

* Priced at COB 08 September 2010

We have raised our estimates for Budimex's construction revenues in 2010 and factored in higher volumes of residential deliveries in 2010-2012. We have also adjusted SG&A expenses downwards and applied more conservative margin assumptions in both the construction and real estate segments. As a result of these changes, our earnings forecasts are up 6.5% to PLN 198.9m (+14.5% y/y) for 2010 but down 1.7% to PLN 168.2m (-15.4% y/y) for 2011 and 5.3% to PLN 164.0m (-2.5% y/y) for 2012. Our updated net income expectations, an adjusted dividend payout ratio from 2010 earnings and revised risk-free rate assumptions have reduced our fair value estimate by 3.4% to PLN 88.31 per share, implying 5.0% downside. We maintain our Hold rating on the stock.

Hold rating maintained

- **Earnings to decline in mid-term despite top-line growth:** Budimex has secured a backlog amounting to PLN 7.6bn at the end of 1H10, mainly due to significant contracts in the infrastructure segment. This should help support revenue growth at a 2009-2012F CAGR of 10.5%. However, due to expected margin erosion at the gross level from 12.5% in 2009 to 8.9% in 2012, the firm's bottom line is forecast to contract over the next two years.
- **Closer to entering power engineering segment:** In a strategic partnership with Spain's Tecnicas Reunidas, Budimex recently placed a bid for the construction of a gas power block in Skawina for CEZ, in a deal that could be worth € 200m-350m for Budimex. While the partnership should boost Budimex's chances of winning second-tier contracts, we believe the firm needs to gain more experience and references in power engineering before it can become competitive in larger contracts.
- **Positives from potential acquisition not yet included in our forecasts:** The announced potential acquisition of PNI (the construction unit of Polish State Railways) in 2011 could help Budimex to build exposure to the rail construction segment and consequently ensure part of the diversification necessary at the firm. However, due to the uncertain status of this acquisition, we have not yet included the potential positives in our forecasts.
- **Solid dividend:** After paying a hefty dividend (100% pay out) from 2009 earnings, Budimex's management has announced it intends to pay out 50%-70% of 2010 net income (forecast at PLN 198.9m) to shareholders as a dividend in 2011. This would imply a yield of 4.2%-5.9%. The firm intends to propose another solid dividend from 2011 profit regardless of any potential acquisitions.
- **Premium unjustified:** On a 2011F EV/EBITDA of 8.2x, Budimex trades at a 8.3% premium to domestic peers. While the firm is well placed to benefit from the infrastructure boom in the short term, it lags behind its closest competitors in terms of exposure to attractive niche segments such as power engineering and rail construction. Polimex remains our top pick in the sector.

Cezary Bernatek	+48 22 581 08 20	cezary.bernatk@kbcsecurities.pl
Robert Maj	+48 22 581 08 24	robert.maj@kbcsecurities.pl
Lucian Albuлесcu, CFA	+40 21 40 84 219	lucian.albuлесcu@kbcsecurities.ro

Budimex: Income statement (Old vs. New forecast) PLN m

	2010F			Change			2011F			Change			2012F			Change		
	Old	New	%	Old	New	%	Old	New	%	Old	New	%	Old	New	%			
Sales	3,972.2	4,122.8	3.8%	4,231.5	4,231.4	0.0%	4,449.9	4,438.8	-0.2%									
Construction activity	3,430.2	3,540.0	3.2%	3,858.3	3,901.4	1.1%	4,032.2	4,007.5	-0.6%									
General construction - residential	228.5	232.6	1.8%	251.3	251.5	0.1%	284.0	284.1	0.1%									
General constr. - non residential	730.2	778.0	6.5%	781.3	781.8	0.1%	867.2	867.8	0.1%									
Infrastructure construction	2,352.9	2,410.7	2.5%	2,705.8	2,748.2	1.6%	2,759.9	2,734.5	-0.9%									
Other sales	118.7	118.7	0.0%	119.9	119.9	0.0%	121.1	121.1	0.0%									
Real Estate	456.0	497.7	9.1%	293.6	250.4	-14.7%	344.0	357.6	4.0%									
Other activity	136.8	136.8	0.0%	135.5	135.5	0.0%	136.8	136.8	0.0%									
Exclusions	-50.8	-51.7	1.8%	-55.8	-55.9	0.1%	-63.1	-63.1	0.1%									
Gross profit on sales	408.4	405.7	-0.7%	396.1	375.9	-5.1%	410.2	395.1	-3.7%									
EBIT	214.5	234.8	9.5%	196.3	195.7	-0.3%	196.6	189.5	-3.6%									
Financial activity net	13.9	9.0	-34.9%	11.5	9.2	-20.0%	13.5	9.4	-30.7%									
Share in gains/losses of equity method consolidated entities	2.1	1.6	-23.2%	3.4	2.8	-19.2%	3.5	3.5	0.0%									
Pretax profit	230.5	245.5	6.5%	211.2	207.7	-1.7%	213.7	202.4	-5.3%									
Net income	186.7	198.9	6.5%	171.1	168.2	-1.7%	173.1	164.0	-5.3%									
EBITDA	236.0	256.3	8.6%	219.7	219.1	-0.3%	221.9	214.9	-3.2%									

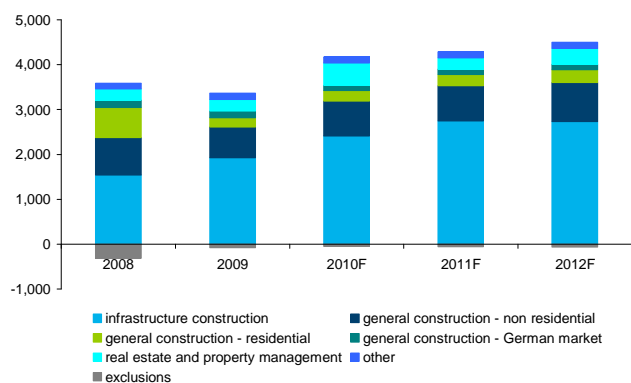
Source: KBC Securities

Budimex: KBC forecasts versus consensus (PLN m)

	2010F			2011F			2012F		
	Cons.	KBC	diff.	Cons.	KBC	diff.	Cons.	KBC	diff.
Sales	3963.9	4122.8	4.0%	4245.9	4231.4	-0.3%	4499.3	4438.8	-1.3%
EBITDA	254.0	256.3	0.9%	222.8	219.1	-1.7%	226.1	214.9	-5.0%
EBIT	233.3	234.8	0.7%	196.9	195.7	-0.6%	196.1	189.5	-3.4%
Net profit	196.3	198.9	1.3%	171.3	168.2	-1.8%	174.4	164.0	-6.0%
Margins (%)									
EBITDA	6.4%	6.2%	-0.19 pps	5.2%	5.2%	-0.07 pps	5.0%	4.8%	-0.19 pps
EBIT	5.9%	5.7%	-0.19 pps	4.6%	4.6%	-0.01 pps	4.4%	4.3%	-0.09 pps
Net profit	5.0%	4.8%	-0.13 pps	4.0%	4.0%	-0.06 pps	3.9%	3.7%	-0.18 pps

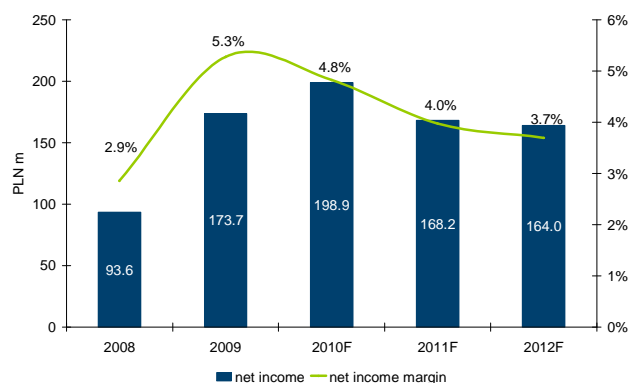
Source: KBC Securities, Bloomberg

Budimex: Sales forecast



Source: Budimex, KBC Securities estimates

Budimex: Net profit forecast



Source: Budimex, KBC Securities

Budimex: comparison to peers – on current prices

	EV/EBITDA			P/E		
	2010F	2011F	2012F	2010F	2011F	2012F
Budimex	7.1	8.2	8.6	11.9	14.1	14.5
PBG	9.7	8.0	7.2	14.7	11.7	10.5
Polimex Mostostal	6.7	7.2	6.8	14.8	14.5	14.0
Elektrobudowa	na	na	na	17.6	16.5	13.6
Mostostal Warszawa	6.3	6.8	5.8	13.6	15.9	14.5
Pol-Aqua	5.1	4.3	na	22.2	16.2	15.0
Trakcja Polska	9.0	8.0	6.2	16.6	13.2	10.3
Tier 1 average	7.8	7.8	7.5	13.8	13.4	13.0
PL sector Average	7.3	7.6	6.8	14.8	14.5	14.0
Premium / discount to PL sector average						
Budimex	-2.8%	8.3%	27.8%	-19.5%	-2.4%	3.5%

Source: KBC Securities

Valuation summary (PLN)

	Fair value estimate per share
DCF	97.62
DDM	79.01
Average	88.31

Budimex - DDM Valuation (PLN m)

	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Dividends	139.2	151.4	147.6	149.7	163.7	176.8	190.3	202.6	216.4	247.2
Discount rate	9.3%	9.6%	9.7%	9.6%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Discount factor	0.92	0.84	0.76	0.70	0.63	0.58	0.53	0.48	0.44	0.40
Discounted dividend	127.37	126.45	112.40	104.05	103.94	102.53	100.76	97.97	95.59	99.72
Sum of DD PV's (2011F-2020F)	1,070.78									
Sum of DD PV's (2021F-2045F)	898.88									
DIV terminal growth rate	0.8%									
Terminal value	757.9									
PV of terminal value	31.6									
Discount unwind	15.9									
Equity value	2,017.2									
Per share value (PLN)	79.01									

Source: KBC Securities

Budimex - DCF Valuation (PLN m)

	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F
Revenues	4122.8	4231.4	4438.8	4666.8	5048.7	5386.4	5726.9	6046.9	6295.9	6563.1
EBIT	234.8	195.7	189.5	185.0	203.0	216.7	230.8	243.2	253.1	269.6
Tax on EBIT	44.6	37.2	36.0	35.2	38.6	41.2	43.8	46.2	48.1	51.2
NOPLAT	190.2	158.5	153.5	149.9	164.4	175.5	186.9	197.0	205.0	218.4
Depreciation	21.5	23.3	25.3	27.5	29.8	32.4	35.1	38.1	41.3	44.9
Capital expenditures	-22.6	-24.5	-26.6	-28.9	-31.3	-34.0	-36.9	-40.0	-43.4	-47.1
Change in working capital	-35.0	-47.9	-47.6	-83.2	-42.1	-61.3	-49.1	-45.9	-24.2	-38.9
Free cash flow	154.1	109.5	104.7	65.3	120.8	112.6	136.1	149.1	178.8	177.2
Growth %	n.a.	-29%	-4%	-38%	85%	-7%	21%	10%	20%	-1%
Risk free rate	4.1%	4.8%	5.1%	5.2%	5.1%	5.0%	5.0%	5.0%	5.0%	5.0%
Equity risk premium	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	8.6%	9.3%	9.6%	9.7%	9.6%	9.5%	9.5%	9.5%	9.5%	9.5%
Cost of debt (pre-tax)	6.1%	6.8%	7.1%	7.2%	7.1%	7.0%	7.0%	7.0%	7.0%	7.0%
Effective tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
After-tax cost debt	5.0%	5.5%	5.7%	5.8%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%
Weight of debt	7.4%	6.5%	8.3%	6.8%	6.7%	7.4%	7.5%	7.6%	6.9%	6.6%
Weight of equity	92.6%	93.5%	91.7%	93.2%	93.3%	92.6%	92.5%	92.4%	93.1%	93.4%
WACC	8.3%	9.0%	9.2%	9.4%	9.3%	9.2%	9.2%	9.2%	9.2%	9.2%
Discount factor	0.92	0.85	0.77	0.71	0.65	0.59	0.54	0.50	0.46	0.42
PV of FCF (2010F-2019F)	142.2	92.7	81.1	46.3	78.3	66.8	73.9	74.2	81.4	73.9
PV of FCF (2020F-2045F)	831.1									
Sum of FCF PVs	1,567.6									
FCF terminal growth rate	0.8%									
Terminal value	61.8									
PV of terminal value	1.8									
unwind of discount	85.7									
Enterprise value	1,655.1									
Net debt 2009	-837.2									
Equity value	2,492.3									
Per share value (PLN)	97.62									

Source: KBC Securities

Financial data

Income statement (PLN m)	2007A	2008A	2009A	2010F	2011F	2012F
Sales	3,075.9	3,274.3	3,289.9	4,122.8	4,231.4	4,438.8
Construction activity	2,849.3	3,208.8	2,967.0	3,540.0	3,901.4	4,007.5
Real Estate management	218.4	249.3	257.5	497.7	250.4	357.6
Other activity	148.1	134.9	139.6	136.8	135.5	136.8
Exclusions	-139.8	-318.7	-74.4	-51.7	-55.9	-63.1
Cost of goods & products sold	-2,927.7	-2,885.8	-2,877.2	-3,717.1	-3,855.5	-4,043.7
Gross profit on sales	148.3	388.4	412.6	405.7	375.9	395.1
Construction activity	101.1	357.8	337.0	311.5	335.5	324.6
Real Estate management	60.4	76.2	80.0	95.9	42.9	74.3
Other activity	-4.0	6.5	13.6	6.0	5.8	5.7
Exclusions	-9.2	-52.1	-18.0	-7.8	-8.4	-9.5
Cost of sales	-26.2	-30.2	-22.8	-24.3	-25.8	-28.0
General Administration costs	-114.6	-135.5	-129.4	-127.8	-131.2	-146.5
Net profit on sales	7.4	222.7	260.5	253.6	218.9	220.7
Other operating activity net	20.7	-114.8	-59.9	-18.8	-23.2	-31.2
EBIT	28.0	107.9	200.5	234.8	195.7	189.5
Net financial activity	-18.2	14.9	22.0	9.0	9.2	9.4
Share in gains/losses of equity method cons. entities	1.6	2.9	1.7	1.6	2.8	3.5
Pre-tax profit	11.5	125.8	224.2	245.5	207.7	202.4
Tax	0.5	-32.1	-50.5	-46.6	-39.5	-38.5
Minorities	-0.9	0.1	0.0	0.0	0.0	0.0
Net income	11.1	93.6	173.7	198.9	168.2	164.0
EBITDA	51.7	130.2	221.7	256.3	219.1	214.9

Source: Company data, KBC Securities estimates

Balance sheet (PLN m)	2007A	2008A	2009A	2010F	2011F	2012F
Long-term assets	475.6	462.9	517.9	558.8	573.7	591.4
Fixed assets	101.9	124.3	103.5	110.4	111.5	112.6
Intangible assets	5.2	4.4	3.5	3.6	3.8	3.9
Goodwill	73.2	73.2	73.2	73.2	73.2	73.2
Loans granted	80.0	0.0	0.0	0.0	0.0	0.0
Investments in equity-accounted entities	30.4	21.0	20.7	20.7	20.7	20.7
LT retentions and receivables	71.1	53.4	49.7	60.2	66.3	68.1
Deferred items	98.8	168.9	243.4	270.0	277.2	290.7
Other	15.0	17.7	24.0	20.6	21.2	22.2
Current assets	1,838.2	2,823.1	2,817.2	2,417.1	2,473.7	2,601.2
Inventories	533.3	1,219.8	1,128.6	987.8	982.4	1,085.7
Trade receivables and other receivables	534.4	630.6	398.3	530.9	579.6	608.1
Financial assets and other	30.7	101.6	28.7	19.9	19.9	19.9
Cash & cash equivalents	509.2	726.0	1,130.3	721.5	719.3	710.2
Retentions	218.8	134.9	125.3	149.5	164.7	169.2
Tax receivables and deferred items	11.8	10.2	6.0	7.6	7.8	8.2
Fixed assets for sale	30.5	0.1	4.5	4.5	4.5	4.5
Total assets	2,344.3	3,286.1	3,339.6	2,980.3	3,051.9	3,197.1
Equity	536.3	561.7	586.2	611.4	640.4	653.0
Long-term liabilities	312.9	433.6	418.0	365.8	350.4	341.3
Credits and loans	171.0	254.7	230.2	150.0	120.0	120.0
Provision and retentions	138.4	175.1	183.9	211.8	226.2	216.8
Other payables	3.6	3.8	3.9	4.1	4.2	4.4
Short-term liabilities	1,495.1	2,290.8	2,335.4	2,003.1	2,061.1	2,202.8
Credit and loans	106.2	136.4	62.9	17.1	29.7	72.7
Trade and other payables	781.7	943.3	908.8	865.6	845.0	941.7
Other payables	19.9	537.4	112.9	100.2	102.4	106.7
Provisions and retentions	587.3	673.8	1,250.8	1,020.1	1,083.9	1,081.8
Total liabilities	2,344.3	3,286.1	3,339.6	2,980.3	3,051.9	3,197.1

Source: Company data, KBC Securities estimates

Cash flow statement (PLN m)	2007A	2008A	2009A	2010F	2011F	2012F
Net profit	12.0	93.7	173.7	198.9	168.2	164.0
Depreciation	23.6	22.2	21.2	21.5	23.3	25.3
Change in net working capital	5.4	-27.2	309.0	-35.0	-47.9	-47.6
Other items	-58.3	84.2	532.1	-274.8	35.3	-15.8
Operating cash flow	-17.3	173.0	1036.0	-89.5	179.0	125.9
Purchases of tangibles & intangibles	-7.8	-4.6	0.3	-22.6	-24.5	-26.6
Others	26.9	-59.6	-376.5	0.0	0.0	0.0
Investing cash flow	19.1	-64.2	-376.2	-22.6	-24.5	-26.6
Change in interest-bearing debt	28.8	119.2	-85.3	-126.0	-17.4	43.0
Dividends	0.0	0.0	-149.1	-173.7	-139.2	-151.4
Other	-12.7	-28.2	-20.2	0.0	0.0	0.0
Financing cash flow	16.1	91.0	-254.7	-299.6	-156.6	-108.4
Total cash flow	17.9	199.8	405.1	-411.7	-2.2	-9.1
Cash at beginning of period	488.8	525.4	725.2	1130.3	721.5	719.3
Cash at end of period	506.7	725.2	1130.3	718.6	719.3	710.2

Per share data (PLN)	2007A	2008A	2009A	2010F	2011F	2012F
Shares outstanding (eop m)	25.5	25.5	25.5	25.5	25.5	25.5
Average number of shares	25.5	25.5	25.5	25.5	25.5	25.5
EBITDA per share	2.0	5.1	8.7	10.0	8.6	8.4
EBIT per share	1.1	4.2	7.9	9.2	7.7	7.4
Reported EPS	0.5	3.7	6.8	7.8	6.6	6.4
DPS	0.0	0.0	5.8	6.8	5.5	5.9
NBV per share	21.0	22.0	23.0	23.9	25.1	25.6

Source: Company data, KBC Securities estimates

Performance criteria	2007A	2008A	2009A	2010F	2011F	2012F
Sales growth	1.1%	6.4%	0.5%	25.3%	2.6%	4.9%
EBITDA growth	66.0%	152.0%	70.3%	15.6%	-14.5%	-1.9%
EBIT growth	182.2%	285.0%	85.7%	17.1%	-16.6%	-3.2%
net profit growth	172.8%	745.5%	85.5%	14.5%	-15.4%	-2.5%
EBITDA margin	1.7%	4.0%	6.7%	6.2%	5.2%	4.8%
EBIT margin	0.9%	3.3%	6.1%	5.7%	4.6%	4.3%
net profit margin	0.4%	2.9%	5.3%	4.8%	4.0%	3.7%
EPS annual growth	232.7%	622.7%	85.5%	14.5%	-15.4%	-2.5%
Pay-out ratio	0.0%	0.0%	159.3%	100.0%	70.0%	90.0%
Effective Tax Rate	-4.7%	25.5%	22.5%	19.0%	19.0%	19.0%
Financial debt / Total Assets	11.8%	11.9%	8.8%	5.6%	4.9%	6.0%
Net financial debt / Equity	-43.3%	-59.6%	-142.8%	-90.7%	-89.0%	-79.3%
ROE	2.1%	17.1%	30.3%	33.2%	26.9%	25.4%
ROA	0.5%	3.3%	5.2%	6.3%	5.6%	5.2%

Source: Company data, KBC Securities estimates

Valuation data	2007A	2008A	2009A	2010F	2011F	2012F
Financial year high (PLN)	178.9	97.7	83.8	83.8	83.8	83.8
Financial year low (PLN)	65.8	50.7	52.3	52.3	52.3	52.3
Reference market capitalization (PLN m)	2,374.4	2,374.4	2,374.4	2,374.4	2,374.4	2,374.4
Net debt (PLN m)	-232.0	-334.9	-837.2	-554.4	-569.7	-517.6
Enterprise value (PLN m)	2,142.4	2,039.4	1,537.2	1,820.0	1,804.7	1,856.8
P/E high (x)	352.6	26.6	12.3	10.8	12.7	13.0
P/E low (x)	129.6	13.8	7.7	6.7	7.9	8.1
P/E reference	214.4	25.4	13.7	11.9	14.1	14.5
P/Book value (x)	4.4	4.2	4.1	3.9	3.7	3.6
Gross dividend yield (%)	0.0%	0.0%	6.3%	7.3%	5.9%	6.4%
EV/EBITDA (x)	41.5	15.7	6.9	7.1	8.2	8.6
EV/EBIT (x)	76.4	18.9	7.7	7.8	9.2	9.8

Source: KBC Securities estimates

Construction

Current price PLN 250.20*

Hold

Poland

Fair value PLN 261.64

Rating downgraded

Performance over	1M	3M	12M
Absolute	10%	16%	22%
Rel. WIG20	10%	7%	6%
12M Hi/Lo	PLN 250.2 / 192.0		

Reuters	PBGG.WA
Bloomberg	PBG.PW
Market cap	EUR 910.1m
Next corporate event	
3Q10 results - 15 November 2010	
PLN / EUR	3.93

PLN m	2009A	2010F	2011F	2012F
Sales	2,578.0	3,390.2	4,314.8	4,737.1
EBITDA	333.6	403.3	497.2	540.0
EBIT	286.5	346.2	421.9	457.9
Net profit	210.6	244.1	305.0	339.1
EPS (PLN)	14.7	17.1	21.3	23.7
P/E (x)	17.0	14.7	11.7	10.5
DPS (PLN)	0.0	1.4	3.9	7.9
Dividend Yield (%)	0.0%	0.6%	1.6%	3.1%
EV/EBITDA (x)	12.1	9.7	8.0	7.2

Source: KBC Securities

* Priced at COB 08 September 2010

We have increased our sales forecasts for PBG to reflect the strong backlog in the natural gas construction segment. The backlog stems from the signing of a highly profitable LNG contract, new road deals and the firm's improving position and know-how in the energy construction segment after signing contracts with KGHM. We expect the rising value of the road segment and falling revenues from the water segment to lead to some margin pressure, although this should be cushioned by PBG's participation in the LNG contract and energy deals. Overall, our net profit forecasts are down 0.1% to PLN 244.1m (+15.9% y/y) for 2010 but up 12.6% to PLN 305.0m (+25.0% y/y) for 2011 and 16.0% to PLN 339.1m (+11.2% y/y) for 2012. Our fair value estimate is up 5.9% to PLN 261.64 per share, which implies 4.6% upside. We downgrade our rating on the stock to Hold.

Rating downgraded to Hold

- **Recent contracts support our above-consensus estimates:** PBG reported a backlog of PLN 6.2bn as of August 2010, of which PLN 3.3bn pertains to 2011. We believe the already secured contracts as well as recently announced road, LNG and other energy contracts to be signed with KGHM in late 2H10 support our sales forecasts of PLN 3.39bn for 2010 and PLN 4.3bn for 2011, the latter being 20.6% above the consensus.
- **Gross margin supported by niche segments:** PBG is one of the most important players in natural gas services in Poland. After signing the LNG contract, we expect the firm's gross margin in the natural gas segment to be at least 21%. Despite falling revenues from the water segment, we expect the margin to remain above 12%. The recently signed PLN 150m energy contracts should bring a gross margin of 15% and should represent important training ahead of the signing of much larger contracts.
- **Large contracts in traditional segments:** PBG has significant expertise in the water segment, which leaves the firm well positioned to grab the bulk of major contracts arriving on the market in the near future. Contracts for the Legnicki channel, the Raciborz reservoir and the Wroclaw water supply are worth up to PLN 1bn each. However, we do not include any of these in our model due to public authorities delaying the tenders of these projects. PBG stands a good chance of winning some of these contracts once they are announced, which could lead to a turnaround in the firm's hydro segment as early as 2012.
- **Fully valued:** On a 2011F EV/EBITDA of 8.0x, PBG trades at a small premium to Polish sector peers. We believe PBG should trade in line, albeit at a higher average for the whole sector. PBG has exposure to higher margin segments like gas and water though the water segment is set for a decline in the short term and we think the company is missing the strong foothold that Polimex has in power engineering and railways.

Lucian Albuлесcu, CFA

+40 21 40 84 219

lucian.albuлесcu@kbcsecurities.ro

Robert Maj

+48 22 581 08 24

robert.maj@kbcsecurities.pl

Cezary Bernatek

+48 22 581 08 20

cezary.bernatек@kbcsecurities.pl

PBG: Income statement (Old vs. New forecast) PLN m

	2010F			Change			2011F			Change			2012F			Change		
	Old	New	%	Old	New	%	Old	New	%	Old	New	%	Old	New	%			
Sales	3,481.33	3,390.23	-2.6%	3,823.96	4,314.76	12.8%	4,135.57	4,737.09	14.5%									
natural gas and crude oil	759.70	879.65	15.8%	873.65	1,161.14	32.9%	899.86	1,201.78	33.6%									
water/sewage	966.16	796.84	-17.5%	869.55	717.15	-17.5%	826.07	645.44	-21.9%									
general construction	1,101.50	1,127.94	2.4%	1,079.47	1,105.38	2.4%	1,090.27	1,116.43	2.4%									
roads	392.75	355.34	-9.5%	549.84	906.12	64.8%	714.80	1,177.96	64.8%									
power engineering	150.00	180.00	20.0%	270.00	324.00	20.0%	405.00	486.00	20.0%									
Real estate	0.00	0.00		50.00	50.00	0.0%	57.50	57.50	0.0%									
other	26.00	50.46	94.1%	23.40	50.97	117.8%	21.06	51.99	146.9%									
Gross profit on sales	478.70	467.76	-2.3%	508.01	576.35	13.5%	533.72	627.21	17.5%									
EBIT	353.89	346.23	-2.2%	371.28	421.95	13.6%	386.04	457.87	18.6%									
Financial activity net	-28.00	-27.29	-2.5%	-19.54	-23.82	21.9%	-12.01	-22.18	84.6%									
Share in gains/losses of equity																		
method consolidated entities	8.96	6.50	-27.5%	9.28	8.50	-8.4%	10.44	10.44	0.0%									
Pretax profit	334.85	325.44	-2.8%	361.02	406.63	12.6%	384.46	446.14	16.0%									
Net income	244.44	244.08	-0.1%	270.76	304.97	12.6%	292.19	339.06	16.0%									
EBITDA	410.93	403.26	-1.9%	446.57	497.24	11.3%	468.17	540.00	15.3%									

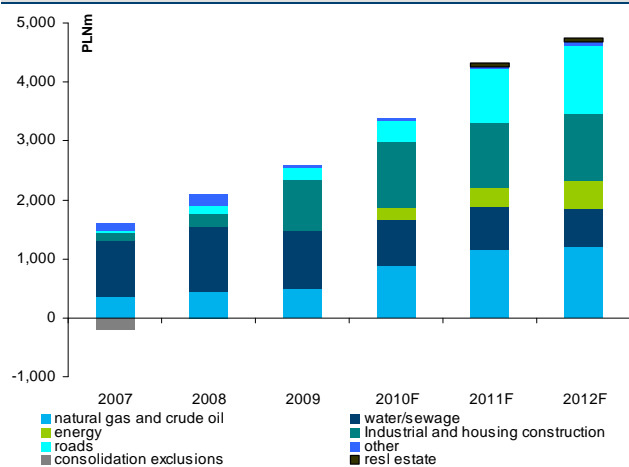
Source: KBC Securities

PBG: KBC forecasts versus consensus (PLN m)

	2010F			2011F			2012F		
	Cons.	KBC	diff.	Cons.	KBC	diff.	Cons.	KBC	diff.
Sales	3,261.2	3,390.2	4.0%	3,578.6	4,314.8	20.6%	4,054.1	4,737.1	16.8%
EBITDA	383.1	403.3	5.3%	421.7	497.2	17.9%	450.4	540.0	19.9%
EBIT	323.3	346.2	7.1%	345.0	421.9	22.3%	365.8	457.9	25.2%
Net profit	230.9	244.1	5.7%	256.3	305.0	19.0%	289.2	339.1	17.2%
Margins (%)									
EBITDA	11.7%	11.9%	0.15 pps	11.8%	11.5%	-0.26 pps	11.1%	11.4%	0.29 pps
EBIT	9.9%	10.2%	0.30 pps	9.6%	9.8%	0.14 pps	9.0%	9.7%	0.64 pps
Net profit	7.1%	7.2%	0.12 pps	7.2%	7.1%	-0.09 pps	7.1%	7.2%	0.02 pps

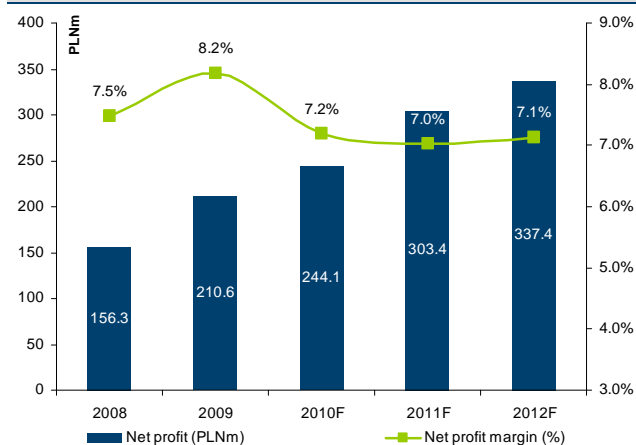
Source: KBC Securities, Bloomberg

PBG: Sales forecast



Source: PBG, KBC Securities estimates

PBG: Net profit forecast



Source: PBG, KBC Securities

PBG: Comparison to peers – on current prices

	EV/EBITDA			P/E		
	2010F	2011F	2012F	2010F	2011F	2012F
Budimex	7.1	8.2	8.6	11.9	14.1	14.5
PBG	9.7	8.0	7.2	14.7	11.7	10.5
Polimex Mostostal	6.7	7.2	6.8	14.8	14.5	14.0
Elektrobudowa	na	na	na	17.6	16.5	13.6
Mostostal Warszawa	6.3	6.8	5.8	13.6	15.9	14.5
Pol-Aqua	5.1	4.3	na	22.2	16.2	15.0
Trakcja Polska	9.0	8.0	6.2	16.6	13.2	10.3
Tier 1 average	7.8	7.8	7.5	13.8	13.4	13.0
PL sector Average	7.3	7.6	6.8	14.8	14.5	14.0
Premium / discount to PL sector average						
PBG	32.4%	4.7%	6.0%	-1.3%	-18.9%	-24.6%

Source: KBC Securities

Valuation summary (PLN)

	Fair value estimate per share
DCF	274.55
DDM	248.73
Average	261.64

PBG - DDM Valuation (PLN m)

	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Dividends	56.1	112.2	190.1	275.1	340.9	354.5	374.9	425.7	457.6	480.3
Discount rate	9.6%	9.9%	9.9%	9.8%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Discount factor	0.91	0.83	0.76	0.69	0.63	0.57	0.52	0.48	0.44	0.40
Discounted dividend	51.23	93.23	143.72	189.40	214.37	203.56	196.58	203.89	200.12	191.84
Sum of DD PV's (2011F-2020F)	1,687.93									
Sum of DD PV's (2021F-2045F)	1,893.05									
DIV terminal growth rate	1.0%									
Terminal value	4,412.01									
PV of terminal value	166.45									
Discount unwind	-191.84									
Equity value	3,555.59									
Per share value (PLN)	248.73									

Source: KBC Securities

PBG - DCF Valuation (PLN m)

	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F
Revenues	3,390.2	4,314.8	4,737.1	5,040.2	5,314.1	5,583.8	5,859.5	6,136.6	6,416.2	6,713.1
EBIT	346.2	421.9	457.9	489.7	519.1	537.7	567.2	603.7	642.1	669.8
Tax on EBIT	65.8	80.2	87.0	93.0	98.6	102.2	107.8	114.7	122.0	127.3
NOPLAT	280.4	341.8	370.9	396.6	420.5	435.6	459.4	489.0	520.1	542.6
Depreciation	57.0	75.3	82.1	92.6	108.7	117.9	133.1	157.1	173.9	197.0
Capital expenditures	-155.7	-122.2	-132.5	-148.1	-172.3	-186.2	-208.9	-216.8	-191.8	-216.1
Change in working capital	6.8	-213.4	-106.4	-46.7	-11.4	-31.0	6.8	-8.6	10.2	30.8
Free cash flow	188.6	81.5	214.2	294.4	345.5	336.3	390.4	420.7	512.3	554.2
Growth %		-56.8%	163.0%	37.5%	17.3%	-2.7%	16.1%	7.8%	21.8%	8.2%
Risk free rate	4.2%	5.1%	5.4%	5.4%	5.3%	5.0%	5.0%	5.0%	5.0%	5.0%
Equity risk premium	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	8.7%	9.6%	9.9%	9.9%	9.8%	9.5%	9.5%	9.5%	9.5%	9.5%
Cost of debt (pre-tax)	6.2%	7.1%	7.4%	7.4%	7.3%	7.0%	7.0%	7.0%	7.0%	7.0%
Effective tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
After-tax cost of debt	5.0%	5.7%	6.0%	6.0%	5.9%	5.7%	5.7%	5.7%	5.7%	5.7%
Weight of debt	12.8%	12.5%	11.3%	9.7%	8.9%	9.0%	8.5%	7.9%	6.6%	6.1%
Weight of equity	87.2%	87.5%	88.7%	90.3%	91.1%	91.0%	91.5%	92.1%	93.4%	93.9%
WACC	8.2%	9.1%	9.4%	9.5%	9.5%	9.2%	9.2%	9.2%	9.2%	9.3%
Discount fact	0.98	0.89	0.82	0.75	0.68	0.62	0.57	0.52	0.48	0.44
PV of FCF (2010F-2019F)	183.9	72.8	175.0	219.7	235.5	210.0	223.3	220.4	245.6	243.2
PV of FCF (2020F-2045F)	1,998.1									
Sum of FCF PV's	4,027.4									
FCF terminal growth rate	1.0%									
Terminal value	4,797.1									
PV of terminal value	195.2									
Unwind of discount	442.6									
Enterprise value	4,665.1									
Net debt 2009	474.6									
Minorities	-265.8									
Discounted share in affiliates	208.8									
Equity value	3,924.7									
Per share value (PLN)	274.6									

Source: KBC Securities

Financial data

Income statement (PLN m)	2007A	2008A	2009A	2010F	2011F	2012F
Sales	1,407.0	2,091.4	2,578.0	3,390.2	4,314.8	4,737.1
natural gas and crude oil	164.8	258.1	399.8	879.6	1,161.1	1,201.8
water/sewage	956.9	1,115.7	996.0	796.8	717.2	645.4
fuels	192.2	180.1	83.3	0.0	0.0	0.0
industrial and residential construction	116.2	199.2	881.2	1,127.9	1,105.4	1,116.4
roads	41.7	141.2	187.0	355.3	906.1	1,178.0
power engineering	0.0	0.0	0.0	180.0	324.0	486.0
real estate	0.0	0.0	0.0	0.0	50.0	57.5
other	125.9	197.1	30.6	50.5	51.0	52.0
consolidation exclusions	-190.6	0.0	0.0	0.0	0.0	0.0
Cost of goods & products sold	-1,192.0	-1,756.8	-2,185.9	-2,922.5	-3,738.4	-4,109.9
Gross profit on sales	215.0	334.6	392.1	467.8	576.3	627.2
natural gas and crude oil	26.9	53.0	84.3	202.3	243.8	252.4
water/sewage	97.7	120.1	121.1	103.6	86.1	77.5
fuels	29.0	29.1	7.7	0.0	0.0	0.0
industrial and residential construction	13.5	45.6	136.8	90.2	88.4	89.3
roads	5.2	29.2	29.7	35.5	90.6	117.8
power engineering	0.0	0.0	0.0	27.0	42.1	63.2
real estate	0.0	0.0	0.0	0.0	10.0	11.5
other	43.0	57.6	12.5	9.1	15.3	15.6
consolidation exclusions	-0.4	0.0	0.0	0.0	0.0	0.0
Cost of sales	-0.4	0.0	0.0	0.0	0.0	0.0
General Administration costs	-81.1	-110.0	-109.8	-121.7	-155.0	-170.3
Net profit on sales	133.4	224.6	282.4	346.0	421.3	456.9
Other operating activity net	5.9	-1.0	4.1	0.2	0.6	0.9
EBIT	139.3	223.6	286.5	346.2	421.9	457.9
Net financial activity	-21.1	-12.0	-28.1	-27.3	-23.8	-22.2
Gain/loss on sales of subordinated entities	28.2	2.3	4.3	0.0	0.0	0.0
Share of gains in affiliates	0.0	0.0	0.0	6.5	8.5	10.4
Pre tax profit	146.4	213.9	262.6	325.4	406.6	446.1
Tax	-26.7	-26.6	-40.6	-61.8	-77.3	-84.8
Minorities	-15.4	-30.9	-11.4	-19.5	-24.4	-22.3
Net income	104.3	156.3	210.6	244.1	305.0	339.1
EBITDA	166.1	268.7	333.6	403.3	497.2	540.0

Source: Company data, KBC Securities estimates

Balance sheet (PLN m)	2007A	2008A	2009A	2010F	2011F	2012F
Long-term assets	731.3	901.6	1,011.5	1,121.8	1,205.7	1,273.0
Intangible assets	13.3	14.8	33.0	38.6	45.0	53.5
Goodwill from consolidation	267.4	315.6	319.0	319.0	319.0	319.0
Fixed assets	306.8	401.7	368.3	391.8	423.0	455.6
Non-renewable natural resources	27.8	12.0	12.3	12.3	12.3	12.3
Investment properties	30.4	23.7	144.1	144.1	144.1	144.1
Investment in affiliates	4.0	27.0	10.0	80.2	89.5	98.7
Other LT financial assets	39.3	36.6	91.6	84.8	107.9	118.4
LT receivables from financial instruments	15.9	12.9	8.7	11.5	14.6	16.1
LT receivables	21.6	20.6	14.6	19.2	24.5	26.9
LT deferred tax assets	0.0	23.1	0.0	0.0	0.0	0.0
LT deferred assets	4.8	13.6	9.9	20.3	25.9	28.4
Current assets	1,528.1	1,939.4	2,996.8	3,142.2	3,696.2	3,935.4
Inventories	40.1	69.4	233.7	248.2	266.3	292.8
Receivables coming from LT const agreements	439.6	783.9	725.6	835.9	1,063.9	1,232.9
Trade receivables	534.5	679.4	1,074.4	1,086.7	1,324.0	1,336.8
Tax related receivables	0.0	1.0	3.4	0.1	0.1	0.1
Other short-term receivables	43.3	48.8	37.7	49.6	63.2	69.4
Other short-term financial assets	18.3	50.5	217.3	220.4	258.9	260.5
ST receivables from financial instruments	28.2	1.3	20.2	26.6	33.8	37.1
Cash & equivalents	409.3	288.8	660.3	644.1	647.2	663.2
Short-term deferred assets	14.7	16.5	24.2	30.5	38.8	42.6
Fixed assets for sale	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	2,259.3	2,841.0	4,008.3	4,264.0	4,901.9	5,208.4
Equity	785.2	1,096.1	1,623.5	1,847.5	2,096.4	2,323.2
Long-term liabilities	331.7	410.0	561.8	786.6	642.0	679.9
Credits and loans	50.0	112.9	101.9	71.9	21.9	21.9
Provision and retentions	43.5	14.8	20.7	27.3	34.7	71.0
Other payables	238.3	282.3	439.2	687.4	585.4	587.0
Short-term liabilities	1,142.4	1,334.9	1,823.1	1,629.8	2,163.6	2,205.4
Credit and loans	350.4	475.1	493.9	129.3	320.5	246.2
Trade and other payables	454.9	672.3	910.5	1,072.9	1,321.2	1,373.7
Other payables	209.4	98.8	369.9	374.1	465.7	534.5
Provisions and retentions	127.7	88.6	48.8	53.5	56.0	51.0
Total liabilities	2,259.3	2,841.0	4,008.3	4,264.0	4,901.9	5,208.4

Source: Company data, KBC Securities estimates

Cash flow statement (PLN m)	2007A	2008A	2009A	2010F	2011F	2012F
Net profit	104.3	156.3	210.6	244.1	305.0	339.1
Depreciation	26.7	45.1	47.1	57.0	75.3	82.1
Change in net working capital	-179.6	-502.5	121.0	6.8	-213.4	-106.4
Other items	-69.1	47.9	-72.2	21.2	-11.7	20.2
Operating cash flow	-117.6	-253.1	306.5	329.2	155.2	335.0
Purchases of tangibles & intangibles	-131.8	-107.6	-41.1	-85.6	-112.9	-123.2
Purchases of companies	-55.8	-93.7	-44.1	-70.2	-9.3	-9.3
Other	8.7	15.7	-266.9	0.0	0.0	0.0
Investing cash flow	-178.9	-185.6	-352.0	-155.7	-122.2	-132.5
Equity issue proceeds	333.1	292.2	181.8	0.0	0.0	0.0
Change in interest-bearing debt	344.3	70.6	291.4	-169.6	26.2	-74.4
Dividends	-1.9	0.0	0.0	-20.0	-56.1	-112.2
Other	-20.0	-47.6	-56.3	0.0	0.0	0.0
Financing cash flow	655.5	315.2	416.9	-189.6	-29.9	-186.6
Total cash flow	358.9	-123.5	371.4	-16.1	3.1	16.0
Cash at beginning of period	51.4	411.3	288.9	660.3	644.1	647.2
Cash at end of period	410.3	287.8	660.3	644.1	647.2	663.2

Per share data (PLN)	2007A	2008A	2009A	2010F	2011F	2012F
Shares outstanding (eop m)	13.4	13.4	14.3	14.3	14.3	14.3
Average number of shares	13.4	13.4	14.3	14.3	14.3	14.3
EBITDA per share	12.4	20.0	23.3	28.2	34.8	37.8
EBIT per share	10.4	16.6	20.0	24.2	29.5	32.0
reported EPS	7.8	11.6	14.7	17.1	21.3	23.7
DPS	0.1	0.0	0.0	1.4	3.9	7.9
NBV per share	58.5	81.6	113.6	129.2	146.7	162.5

Source: Company data, KBC Securities estimates

Performance criteria	2007A	2008A	2009A	2010F	2011F	2012F
Sales growth	108.5%	48.6%	23.3%	31.5%	27.3%	9.8%
EBITDA growth	83.1%	61.8%	24.2%	20.9%	23.3%	8.6%
EBIT growth	88.0%	60.5%	28.1%	20.8%	21.9%	8.5%
Net profit growth	92.5%	49.9%	34.7%	15.9%	25.0%	11.2%
EBITDA margin	11.8%	12.8%	12.9%	11.9%	11.5%	11.4%
EBIT margin	9.9%	10.7%	11.1%	10.2%	9.8%	9.7%
Net profit margin	7.4%	7.5%	8.2%	7.2%	7.1%	7.2%
EPS annual growth	61.7%	49.9%	26.6%	15.9%	25.0%	11.2%
Pay-out ratio	3.6%	0.0%	0.0%	9.5%	23.0%	36.8%
Effective tax rate	18.2%	12.4%	15.5%	19.0%	19.0%	19.0%
Financial debt / Total Assets	17.7%	20.7%	14.9%	4.7%	7.0%	5.1%
Net financial debt / Equity	-1.1%	27.3%	-4.0%	-24.0%	-14.5%	-17.0%
ROE	17.9%	16.6%	15.5%	14.1%	15.5%	15.3%
ROA	6.3%	6.1%	6.2%	5.9%	6.7%	6.7%

Source: Company data, KBC Securities estimates

Valuation data	2007A	2008A	2009A	2010F	2011F	2012F
Financial year high (PLN)	430.0	331.0	242.9	242.9	242.9	242.9
Financial year low (PLN)	253.4	175.3	182.0	182.0	182.0	182.0
Reference market capitalization (PLN m)	3,360.2	3,360.2	3,576.6	3,576.6	3,576.6	3,576.6
Net debt (PLN m)	313.4	516.6	474.6	322.4	381.9	295.5
Enterprise value (PLN m)	3,673.6	3,876.7	4,051.2	3,899.0	3,958.5	3,872.1
P/E high (x)	55.4	28.4	16.5	14.2	11.4	10.2
P/E low (x)	32.6	15.1	12.4	10.7	8.5	7.7
P/E reference	32.2	21.5	17.0	14.7	11.7	10.5
P/Book value (x)	4.3	3.1	2.2	1.9	1.7	1.5
Gross dividend yield (%)	0.1%	0.0%	0.0%	0.6%	1.6%	3.1%
EV/EBITDA (x)	22.1	14.4	12.1	9.7	8.0	7.2
EV/EBIT (x)	26.4	17.3	14.1	11.3	9.4	8.5

Source: KBC Securities estimates

Construction		Current price	PLN 4.55*	Buy
Poland		Fair value	PLN 5.54	Rating maintained
Performance over	1M	3M	12M	
Absolute	-4%	5%	10%	
Rel. WIG20	-3%	-3%	-5%	
12M Hi/Lo	PLN 5.29 / 3.64			
Reuters	MOSD.WA			
Bloomberg	PXM.PW			
Market cap	EUR 541.4m			
Next corporate event	3Q09 results - 09 November 2010			
PLN / EUR	3.93			
	PLN m	2009A	2010F	2011F
	Sales	4,836.7	4,589.0	5,188.8
	EBITDA	343.6	358.5	376.7
	EBIT	264.9	243.6	251.5
	Net profit	156.4	143.4	162.2
	EPS (PLN)	0.3	0.3	0.3
	P/E (x)	13.1	14.8	14.5
	DPS (PLN)	0.01	0.04	0.05
	Dividend Yield (%)	0.2%	0.9%	1.1%
	EV/EBITDA (x)	6.9	6.7	7.2

Source: KBC Securities

* Priced at COB 08 September 2010

We have revised our earnings and margin expansion estimates downwards to reflect Polimex's somewhat disappointing 1H10 results and the modest growth outlook for 2H10. Although the firm failed to win the LNG gas terminal contract, we still believe Polimex is well positioned to win a big energy deal at upcoming tenders. Despite delays caused by privatization and the consolidation process taking place among Polish energy producers, the winners of these major energy construction contracts could be announced as early as 1Q11. We have lowered our net profit forecasts by 15.6% to PLN 143.4m (-8.3% y/y) for 2010, 17.0% to PLN 162.2m (+13.1% y/y) for 2011 and 23.0% to PLN 167.7m (+3.4% y/y) for 2012. Our fair value estimate is down 6.1% to PLN 5.54 per share, which implies 21.8% upside. We reiterate our Buy rating on the stock.

Buy rating maintained

- **Revenues shift towards road construction:** Polimex published a backlog of PLN 6.2bn as of July 2010, recording substantial increases in segments including roads & railways (+33.3% y/y). We maintain our forecast for revenues from road construction at PLN 795.7m (+9.0% y/y) in 2010, while we have raised our estimates by 87.5% to PLN 1.67bn for 2011 and 85.8% to PLN 1.78bn for 2012 after the recent signing of huge contracts for the construction of stretches of the A4 in southern Poland.
- **Reduced exposure to best segment:** On the back of lingering demand on both domestic and foreign markets, we have cut our sales estimates for the steel production segment by 7.0% for 2010, 10.4% for 2011 and 14.5% for 2012. The power engineering segment appears to be stagnating ahead of major power contracts, which will only have a significant impact on the firm's financials in 2012 at the earliest. To reflect huge competition in pending contracts and the loss of the LNG contract, we have cut our sales forecasts for the power engineering segment by 9.3% to PLN 889.5m for 2010, 21.5% to PLN 862.8m for 2011 and 30.4% to PLN 880.1m for 2012.
- **Gross profit margin to fall:** After the shift in revenues towards roads & railways, we expect the firm's gross profit margin to fall from 10.9% in 2010 to 10.2% in 2011. This should be due to a decline in the production segment, where we expect 40% sales growth at the expense of a decline in the gross profit margin from 20.8% to 16% in 2010 as the company attempts to gain greater market share.
- **Discount unwarranted:** On a 2011F EV/EBITDA of 7.2x, Polimex trades at a 4.7% discount to Polish peers. We believe the discount is unwarranted as Polimex is highly exposed to segments with good potential for growth such as production, power engineering and railways. The margin prospects for these particular segments appear stable for the long term.

Robert Maj	+48 22 581 08 24	robert.maj@kbcsecurities.pl
Cezary Bernatek	+48 22 581 08 20	cezary.bernatk@kbcsecurities.pl
Lucian Albuлесcu, CFA	+40 21 40 84 219	lucian.albuлесcu@kbcsecurities.ro

Polimex: Income statement (Old vs. New forecast) PLN m

	2010F			Change			2011F			Change			2012F			Change		
	Old	New*	%	Old	New*	%	Old	New*	%	Old	New*	%	Old	New*	%			
Sales	4,706.78	4,588.97	-2.5%	4,839.00	5,188.81	7.2%	5,262.74	5,460.40	3.8%									
Production	746.83	694.75	-7.0%	814.04	729.49	-10.4%	895.45	765.96	-14.5%									
Construction activity	1,368.55	1,395.65	2.0%	1,505.41	1,437.52	-4.5%	1,595.73	1,523.77	-4.5%									
Power engineering	981.19	889.49	-9.3%	1,098.93	862.81	-21.5%	1,263.77	880.06	-30.4%									
Chemistry	814.51	813.38	-0.1%	529.43	488.03	-7.8%	545.32	502.67	-7.8%									
Rail and roads	795.70	795.70	0.0%	891.18	1,670.97	87.5%	962.48	1,787.94	85.8%									
Gross profit on sales	528.4	500.3	-5.3%	542.0	537.1	-0.9%	579.8	549.5	-5.2%									
EBIT	273.6	243.6	-11.0%	279.7	251.5	-10.1%	306.0	262.1	-14.3%									
Financial activity net	-54.4	-57.8	6.2%	-53.3	-62.9	18.0%	-53.0	-67.0	26.3%									
Pretax profit	225.5	190.3	-15.6%	232.7	193.1	-17.0%	259.2	199.7	-23.0%									
Net income	169.9	143.4	-15.6%	195.5	162.2	-17.0%	217.7	167.7	-23.0%									
EBITDA	356.3	358.5	0.6%	360.8	376.7	4.4%	393.5	391.2	-0.6%									

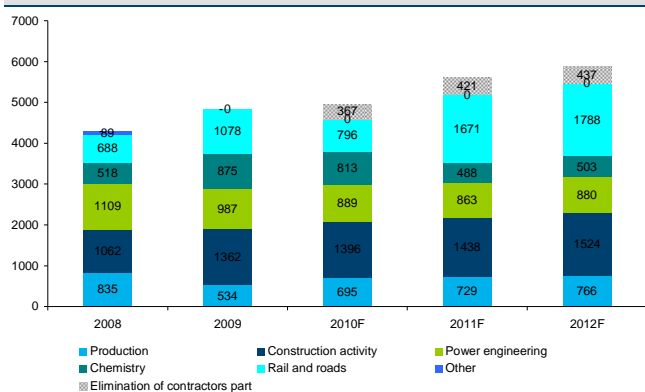
Source: KBC Securities, * including changes in accounting standards

Polimex: KBC forecasts versus consensus (PLN m)

	2010F			2011F			2012F		
	Cons.	KBC	diff.	Cons.	KBC	diff.	Cons.	KBC	diff.
Sales	4773.9	4589.0	-3.9%	5046.8	5188.8	2.8%	5431.9	5460.4	0.5%
EBITDA	349.1	358.5	2.7%	363.8	376.7	3.6%	396.8	391.2	-1.4%
EBIT	244.6	243.6	-0.4%	248.4	251.5	1.3%	276.1	262.1	-5.1%
Net profit	163.1	143.4	-12.1%	185.7	162.2	-12.6%	216.6	167.7	-22.6%
Margins (%)									
EBITDA	7.3%	7.8%	0.5 pps	7.2%	7.3%	0.1 pps	7.3%	7.2%	-0.1 pps
EBIT	5.1%	5.3%	0.2 pps	4.9%	4.8%	-0.1 pps	5.1%	4.8%	-0.3 pps
Net profit	3.4%	3.1%	-0.3 pps	3.7%	3.1%	-0.6 pps	4.0%	3.1%	-0.9 pps

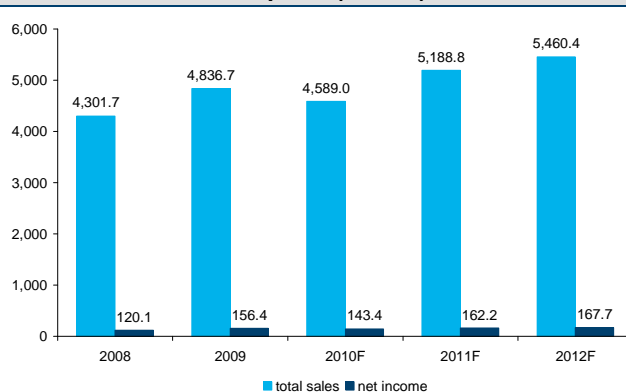
Source: KBC Securities, Bloomberg

Polimex: Sales forecast



Source: Polimex, KBC Securities estimates

Polimex: Sales and net profit (PLN m)



Source: Polimex, KBC Securities

Polimex: Comparison to peers – on current prices

	EV/EBITDA			P/E		
	2010F	2011F	2012F	2010F	2011F	2012F
Budimex	7.1	8.2	8.6	11.9	14.1	14.5
PBG	9.7	8.0	7.2	14.7	11.7	10.5
Polimex Mostostal	6.7	7.2	6.8	14.8	14.5	14.0
Elektrobudowa	na	na	na	17.6	16.5	13.6
Mostostal Warszawa	6.3	6.8	5.8	13.6	15.9	14.5
Pol-Aqua	5.1	4.3	na	22.2	16.2	15.0
Trakcja Polska	9.0	8.0	6.2	16.6	13.2	10.3
Tier 1 average	7.8	7.8	7.5	13.8	13.4	13.0
PL sector average	7.3	7.6	6.8	14.8	14.5	14.0
Premium / discount to PL sector average						
Polimex	-8.2%	-4.7%	0.0%	0.0%	0.0%	0.0%

Source: KBC Securities

Valuation summary (PLN)

	Fair value estimate per share
DCF	5.95
DDM	5.14
Average	5.54

Polimex - DDM Valuation (PLN m)

	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Dividends	26.1	32.4	83.9	94.2	111.3	180.5	239.5	309.5	340.2	369.9
Discount rate	9.6%	9.9%	9.9%	9.8%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Discount factor	0.91	0.83	0.76	0.69	0.63	0.57	0.52	0.48	0.44	0.40
Discounted dividend	23.9	26.9	63.4	64.9	70.0	103.6	125.6	148.2	148.8	147.7
Sum of DD PV's (2011F-2020F)	923.08									
Sum of DD PV's (2021F-2045F)	1,634.37									
DIV terminal growth rate	1.0%									
Terminal value	4,637.72									
PV of terminal value	191.60									
Discount unwind	-99.91									
Equity value	2,649.14									
Per share value (PLN)	5.14									

Source: KBC Securities

Polimex - DCF Valuation (PLN m)

	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F
Revenues	4,589.0	5,188.8	5,460.4	5,834.4	6,223.2	6,647.4	7,092.9	7,580.5	8,115.4	8,703.4
EBIT	243.6	251.5	262.1	282.5	319.0	355.4	400.1	450.1	505.9	546.8
Tax on EBIT	43.8	40.2	41.9	45.2	51.0	56.9	64.0	72.0	96.1	103.9
NOPLAT	199.7	211.3	220.2	237.3	268.0	298.5	336.1	378.1	409.8	442.9
Depreciation	114.9	125.2	129.0	137.8	145.2	157.0	169.8	183.8	199.2	216.0
Capital expenditures	-274.1	-137.3	-141.4	-151.0	-158.9	-171.8	-185.7	-201.0	-217.7	-235.9
Change in working capital	-31.0	-90.8	-46.8	-31.5	-34.9	-37.4	-40.2	-44.1	-28.4	-31.6
Free cash flow	9.6	108.5	161.0	192.7	219.3	246.3	279.9	316.8	362.8	391.4
Growth %		n.a.	48.5%	19.7%	13.8%	12.3%	13.7%	13.2%	14.5%	7.9%
Risk free rate	4.2%	5.1%	5.4%	5.4%	5.3%	5.0%	5.0%	5.0%	5.0%	5.0%
Equity risk premium	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	8.7%	9.6%	9.9%	9.9%	9.8%	9.5%	9.5%	9.5%	9.5%	9.5%
Cost of debt (pre-tax)	6.2%	7.1%	7.4%	7.4%	7.3%	7.0%	7.0%	7.0%	7.0%	7.0%
Effective tax rate	18.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	19.0%	19.0%
After-tax cost of debt	5.1%	6.0%	6.2%	6.2%	6.2%	5.9%	5.9%	5.9%	5.7%	5.7%
Weight of debt	13.3%	14.6%	13.5%	12.7%	11.7%	10.6%	10.0%	9.7%	9.7%	10.0%
Weight of equity	86.7%	85.4%	86.5%	87.3%	88.3%	89.4%	90.0%	90.3%	90.3%	90.0%
WACC	8.2%	9.1%	9.4%	9.4%	9.4%	9.1%	9.1%	9.1%	9.1%	9.1%
Discount fact	0.86	0.78	0.72	0.66	0.60	0.55	0.50	0.46	0.42	0.39
PV of FCF (2010F-2019F)	8.2	85.1	115.6	126.5	131.5	135.4	141.0	146.2	153.4	151.7
PV of FCF (2020F-2045F)	1,739.0									
Sum of FCF PV's	2,933.5									
FCF terminal growth rate	1.0%									
Terminal value	6,445.0									
PV of terminal value	274.5									
Unwind of discount	177.4									
Enterprise value	3,385.4									
Net debt 2009	320.6									
Equity value	3,064.8									
Per share value (PLN)	5.95									

Source: KBC Securities

Financial data

Income statement (PLN m)	2007A	2008A	2009A	2010F	2011F	2012F
Sales	3,727.6	4,301.7	4,836.7	4,589.0	5,188.8	5,460.4
Production	779.4	835.4	534.4	694.8	729.5	766.0
Construction activity	861.5	1062.3	1362.4	1395.7	1437.5	1523.8
Power engineering	1044.9	1109.4	987.1	889.5	862.8	880.1
Chemistry	559.0	518.3	874.6	813.4	488.0	502.7
Rail and roads	441.0	687.5	1078.2	795.7	1671.0	1787.9
Other	41.8	88.9	0.0	0.0	0.0	0.0
Cost of goods & products sold	-3,402.7	-3,870.7	-4,326.9	-4,088.7	-4,651.7	-4,910.9
Gross profit on sales	324.9	431.0	509.8	500.3	537.1	549.5
Production	148.4	182.3	110.9	111.2	124.0	137.9
Construction activity	43.3	63.9	135.6	125.6	115.0	121.9
Power engineering	47.7	35.7	96.7	97.8	90.6	96.8
Chemistry	69.2	82.5	95.6	81.3	57.1	58.8
Rail and roads	4.6	48.0	71.0	84.3	150.4	134.1
Other	11.7	18.6	0.0	0.0	0.0	0.0
Cost of sales	-28.3	-32.3	-26.8	-41.3	-46.7	-46.4
General Administration costs	-137.1	-185.3	-213.2	-206.5	-230.9	-232.1
Net profit on sales	159.5	213.4	269.9	252.5	259.5	271.0
Other operating activity net	0.9	14.7	-4.9	-8.9	-8.0	-8.9
EBIT	160.4	228.1	264.9	243.6	251.5	262.1
Net financial activity	-15.4	-72.1	-55.5	-57.8	-62.9	-67.0
Share in gains/losses of equity method consolidated entities	4.4	2.8	6.2	4.5	4.5	4.5
Pre tax profit	149.4	158.9	215.6	190.3	193.1	199.7
Tax	-32.7	-18.5	-40.3	-34.3	-30.9	-31.9
Minorities	-16.6	-20.3	-18.9	-12.7	0.0	0.0
Net income	100.1	120.1	156.4	143.4	162.2	167.7
EBITDA	205.4	298.5	343.6	358.5	376.7	391.2

Source: Company data, KBC Securities estimates

Balance sheet (PLN m)	2007A	2008A	2009A	2010F	2011F	2012F
Long-term assets	986.2	1,381.7	1,685.3	2,016.6	2,047.4	2,068.2
Tangible fixed assets	431.5	710.8	947.9	1,106.7	1,118.2	1,130.0
Investment properties	39.4	43.3	42.4	42.4	42.4	42.4
Goodwill	427.5	486.1	486.9	663.6	663.6	663.6
Intangible assets	11.0	23.2	30.8	34.4	34.9	35.5
Investments in affiliates	20.0	20.6	25.9	25.9	25.9	25.9
Financial assets	8.5	4.6	4.1	3.9	4.4	4.6
LT deferred assets	0.0	1.3	0.0	0.0	0.0	0.0
LT receivables	29.9	27.5	61.3	58.2	65.8	69.2
Deferred tax assets	18.2	64.3	85.9	81.5	92.2	97.0
Current assets	1,813.1	2,056.9	2,142.4	2,166.0	2,464.6	2,595.1
Inventories	348.9	395.1	350.9	392.1	458.8	484.4
Trade and other receivables	1,272.1	1,342.2	1,317.5	1,257.3	1,421.6	1,496.0
Tax receivables	7.5	5.3	10.6	10.0	11.3	11.9
ST deferred assets	9.8	11.1	9.9	9.4	10.7	11.2
Cash & cash equivalents	143.1	295.2	437.4	481.8	544.8	573.3
Financial assets	31.7	7.8	16.2	15.3	17.4	18.3
Assets for sale	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	2,799.3	3,438.6	3,827.7	4,182.6	4,512.0	4,663.4
Equity	1,075.6	1,168.8	1,383.5	1,807.9	1,790.5	1,925.7
Long-term liabilities	461.1	630.4	817.7	542.0	496.1	444.5
Credits and loans	12.4	118.7	236.0	211.5	197.7	185.5
LT bonds	317.5	317.2	367.4	150.0	100.0	50.0
Provision and retentions	93.2	101.3	104.1	96.5	109.1	114.9
Other payables	38.0	93.2	110.3	84.0	89.2	94.2
Short-term liabilities	1,262.7	1,639.4	1,626.5	1,832.6	2,225.4	2,293.1
Credit and loans	192.2	276.9	114.8	207.0	481.4	537.7
ST bonds	37.3	40.6	39.8	190.0	150.0	100.0
Trade and other payables	855.5	1,178.5	1,337.7	1,288.2	1,427.4	1,480.0
Other payables	11.5	15.7	19.9	18.9	21.4	22.5
Provisions and retentions	166.1	127.7	114.2	128.5	145.3	152.9
Total liabilities	2,799.3	3,438.6	3,827.7	4,182.6	4,512.0	4,663.4

Source: Company data, KBC Securities estimates

Cash flow statement (PLN m)	2007A	2008A	2009A	2010F	2011F	2012F
Net profit	100.1	120.1	156.4	143.4	162.2	167.7
Depreciation	45.0	70.4	78.6	114.9	125.2	129.0
Change in net working capital	-463.0	193.1	265.4	-31.0	-90.8	-46.8
Other items	133.6	-28.1	47.9	109.3	-140.9	8.3
Operating cash flow	-184.3	355.5	548.4	336.6	55.8	258.3
Purchases of tangible and intangible assets	-143.7	-226.5	-355.4	-274.1	-137.3	-141.4
Purchases of companies	0.7	-97.8	-8.1	-286.9	0.0	0.0
Others	45.9	20.9	4.5	0.0	0.0	0.0
Net investing cash flow	-97.1	-303.4	-359.0	-561.0	-137.3	-141.4
Equity proceeds	0.0	0.0	0.0	286.9	0.0	0.0
Change in interest-bearing debt	298.1	143.0	-5.5	0.5	170.6	-55.9
Dividends	-8.5	-4.6	-4.6	-18.6	-26.1	-32.4
Others	-13.4	-38.3	-39.0	0.0	0.0	0.0
Net financing cash flow	276.1	100.1	-49.2	268.9	144.4	-88.4
Total cash flow	-5.2	152.2	140.2	44.5	63.0	28.5
Cash at beginning of period	148.3	143.1	295.2	437.4	481.8	544.8
Cash at end of period	143.1	295.2	435.5	481.8	544.8	573.3

Source: Company data, KBC Securities estimates

Per share data (PLN)	2007A	2008A	2009A	2010F	2011F	2012F
Shares outstanding (eop m)	464.4	464.4	464.4	521.7	521.7	521.7
Average number of shares	464.4	464.4	464.4	473.9	521.7	521.7
EBITDA per share	0.4	0.6	0.7	0.8	0.7	0.7
EBIT per share	0.3	0.5	0.6	0.5	0.5	0.5
Reported EPS	0.3	0.3	0.3	0.3	0.3	0.3
DPS	0.02	0.01	0.01	0.04	0.05	0.06
NBV per share	2.3	2.5	3.0	3.8	3.4	3.7

Source: Company data, KBC Securities estimates

Performance criteria	2007A	2008A	2009A	2010F	2011F	2012F
Sales growth	50.1%	15.4%	12.4%	-5.1%	13.1%	5.2%
EBITDA growth	58.4%	45.3%	15.1%	4.3%	5.1%	3.8%
EBIT growth	62.8%	42.2%	16.1%	-8.1%	3.2%	4.2%
Net profit growth	59.8%	20.0%	30.2%	-8.3%	13.1%	3.4%
EBITDA margin	5.5%	6.9%	7.1%	7.8%	7.3%	7.2%
EBIT margin	4.3%	5.3%	5.5%	5.3%	4.8%	4.8%
Net profit margin	2.7%	2.8%	3.2%	3.1%	3.1%	3.1%
EPS annual growth	n.a.	-2.1%	30.2%	-11.6%	2.6%	3.4%
Pay-out ratio	13.6%	4.6%	3.9%	11.9%	18.2%	20.0%
Effective tax rate	21.9%	11.6%	18.7%	18.0%	16.0%	16.0%
Financial debt / Total assets	20.0%	21.9%	19.8%	18.1%	20.6%	18.7%
Net financial debt / Equity	38.7%	39.2%	23.2%	15.3%	21.5%	15.6%
ROE	13.1%	10.7%	12.3%	9.0%	9.0%	9.0%
ROA	4.5%	3.9%	4.3%	3.6%	3.7%	3.7%

Source: Company data, KBC Securities estimates

Valuation data	2007A	2008A	2009A	2010F	2011F	2012F
Financial year high (PLN)	11.8	8.7	4.4	8.6	8.6	8.6
Financial year low (PLN)	6.0	2.5	2.0	5.5	5.5	5.5
Reference market capitalization (PLN m)	2,112.8	2,112.8	2,112.8	2,156.3	2,373.9	2,373.9
Net debt (PLN m)	416.2	458.2	320.6	276.7	384.3	299.8
Enterprise value (PLN m)	2,529.1	2,571.0	2,433.5	2,433.0	2,758.2	2,673.8
P/E high (x)	43.2	32.5	12.6	28.2	27.5	26.6
P/E low (x)	21.9	9.4	5.8	17.9	17.5	16.9
P/E reference	21.1	17.6	13.5	15.0	14.6	14.2
P/Book value (x)	2.0	1.8	1.5	1.2	1.3	1.2
Gross dividend yield (%)	0.5%	0.2%	0.2%	0.9%	1.1%	1.4%
EV/EBITDA (x)	10.2	8.4	6.9	6.7	7.2	6.8
EV/EBIT (x)	13.0	11.0	9.0	9.9	10.9	10.1

Source: KBC Securities estimates

Important Polish Disclosure

Belgian Banking and Finance Commission is exercising the Supervision over KBC Securities NV Branch in Poland.

This publication is made public immediately after its completion. This publication has been prepared for KBC Securities NV Branch in Poland clients; yet, it may be sent to other persons and the mass media. No part of this publication may be reproduced in any manner without the prior written consent of KBC Securities NV Branch in Poland.

The definitions of terms applied in the publication:

EBITDA = EBIT + amortization and depreciation

EPS = Net profit / No of shares outstanding

DPS = Dividend per Share

NBV per share = Net Book Value / No of shares outstanding

EBITDA margin = EBITDA / Revenue

EBIT margin = EBIT / Revenue

CFPS = Cash flow / No of shares outstanding

Net Financial Debt = Financial debt – Cash equivalents

ROE = Net profit / Average Equity

EV = Market Capitalization + Net Financial Debt

P/E = Stock Price / EPS

P/CF = Stock Price / (Net Profit + amortization and depreciation)

P/BV = Stock Price / NBV per share

P/S = Market Capitalization / Revenue

Gross Dividend Yield = Dividend per share / Stock

List of recent recommendations concerning Budimex shares issued by KBC Securities NV Branch in Poland

Date of issue	Valuation	Market price	Recommendation
21 January 2010	PLN 77.90	PLN 80.90	Hold
25 January 2010	PLN 73.86	PLN 77.30	Hold
26 April 2010	PLN 91.42	PLN 99.75	Hold
09 September 2010	PLN 88.31	PLN 93.00	Hold

List of recent recommendations concerning PBG shares issued by KBC Securities NV Branch in Poland

Date of issue	Valuation	Market price	Recommendation
21 January 2010	PLN 245.3	PLN 219.0	Buy
26 April 2010	PLN 247.0	PLN 218.0	Buy
09 September 2010	PLN 261.64	PLN 250.2	Hold

List of recent recommendations concerning Polimex shares issued by KBC Securities NV Branch in Poland

Date of issue	Valuation	Market price	Recommendation
21 January 2010	PLN 5.40	PLN 4.36	Buy
26 April 2010	PLN 5.90	PLN 4.86	Buy
09 September 2010	PLN 5.54	PLN 4.55	Buy

The recommendations published by KBC Securities NV Branch in Poland are valid for 12 months, unless it changed earlier. We predict a possibility of preparing a quarter actualization of the recommendation.

While preparing the publication and issuing the recommendation, KBC Securities NV Branch in Poland used the following valuation methods: Discounted Cash Flow (DCF) and peer group comparison. The advantage of DCF method is that future financial results are calculated; on the other hand, the disadvantage of the model is that prognoses for the future financial results are influenced by analyst judgment. Peer group comparison is more independent of analyst judgment but it is usually based on current financial results which may differ from the future performance

With the aim of assuring the highest standards of reliability and eliminating of the inaccuracies in its publications, KBC Securities NV Branch in Poland sends a publication to the issuer concerned in advance so as to enable the issuer to check the information included in the publication.

Interpretation of the recommendation:

BUY – total return is expected to appreciate 10% or more **HOLD** – total return is expected to be between 10% and –10% **SELL** – total return is expected to depreciate 10% or more.

At the time of making the publication, KBC Securities NV Branch in Poland does not know about any connections with the issuer, and no other circumstances exist which could influence the objectivity of the recommendation (e.g. agreement with the issuer, capital and personal connections). At the time of preparing the recommendation, KBC Securities NV Branch in Poland will not consign the offer of services pointing at the issuer, within the upcoming three months.

During the last 12 months KBC Securities NV Branch in Poland did not provide services in the field of investment banking for the companies covered in its research reports over the last quarter.

During the last quarter KBC Securities NV Branch in Poland issued 46 recommendations:

24 BUY	52%
18 HOLD	39%
4 SELL	9%

The views expressed in this publication accurately reflect the personal view of the authors, in accordance with the state in time of the preparation.

This publication was prepared in accordance with the principles of methodological correctness and objectivity, based upon public information, including the information from the issuer, in particular, including information from the last 6 months, which KBC Securities NV Branch in Poland finds reliable.

KBC Securities NV Branch in Poland does not guarantee, however, either accuracy or complexity of the publication; in particular, in case when the base information proves to be inaccurate, incomplete, or does not fully reflect the actual state.

KBC Securities NV Branch in Poland is not responsible either for investment decisions taken on the basis of this publication, or damages caused by investment decisions taken on the basis of this publication.

Copyright © 2010 KBC Securities

This publication has been prepared by KBC Securities N.V. Polish Branch, KBC Securities Hungarian Branch Office and Patria Finance a.s. (Czech Republic) and is distributed through KBC Securities NV or one of its subsidiaries (together "KBC Securities"). This publication is provided for informational purposes only and is not intended to be an offer, or the solicitation of any offer, to buy or sell the securities referred to herein. No part of this publication may be reproduced in any manner without the prior written consent of KBC Securities. The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable, but neither KBC Securities N.V. Polish Branch Kredyt Bank S.A., KBC Securities Hungarian Branch Office., Patria Finance a.s., KBC Securities nor its affiliates represent that it is accurate or complete, and it should not be relied upon as such. All opinions, forecasts, and estimates herein reflect our judgement on the date of this publication and are subject to change without notice. From time to time, KBC Securities N.V. Polish Branch Kredyt Bank S.A., KBC Securities Hungarian Branch Office., Patria Finance a.s. or KBC Securities, their principals or employees may have a position in the securities referred to herein or hold options, warrants or rights with respect thereto or other securities of such issuers and may make a market or otherwise act as principal in transactions in any of these securities. Any such persons may have purchased securities referred to herein for their own account in advance of the release of this publication. KBC Securities N.V. Polish Branch Kredyt Bank S.A., KBC Securities Hungarian Branch Office., Patria Finance a.s. or KBC Securities and their principals or employees may from time to time provide investment banking or consulting services to, or serve as a director of a company being reported on herein. This publication is provided solely for the information and use of professional investors who are expected to make their own investment decisions without undue reliance on this publication. Investors must make their own determination of the appropriateness of an investment in any securities referred to herein based on the merits and risks involved, their own investment strategy and their legal, fiscal and financial position. Past performance is no guarantee for future results. By virtue of this publication, none of KBC Securities N.V. Polish Branch Kredyt Bank S.A., KBC Securities Hungarian Branch Office., Patria Finance a.s. or KBC Securities nor any of their employees shall be responsible for any investment decision.

In the United States this publication is being distributed to U.S. Persons by KBC Financial Products USA, Inc., which accepts responsibility for its contents. Orders in any securities referred to herein by any U.S. investor should be placed with KBC Financial Products USA, Inc. and not with any of its foreign affiliates. KBC FP USA Inc. and/or its affiliates may own 1% or more of the subject company's common equity securities. KBCFP USA Inc. or its affiliates may have managed or co-managed a public offering of the subject company's securities in the past 12 months, or received compensation for investment banking services from the subject company in the past 12 months, or expect to receive or intend to seek compensation for investment banking services from the subject company in the next three months. Any U.S. recipient of this report that is not a bank or broker-dealer and that wishes to receive further information regarding, or to effect any transaction in, any security discussed in this report, should contact and place orders with KBC Financial Products USA Inc. This report is being distributed in the United States solely to investors that are (i) "major U.S. institutional investors" (within the meaning of SEC Rule 15a-6 and applicable interpretations relating thereto) that are also "qualified institutional buyers" (QIBs) within the meaning of SEC Rule 144A promulgated by the United States Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act") or (ii) investors that are not "U.S. Persons" within the meaning of Regulation S under the Securities Act and applicable interpretations relating thereto. The offer or sale of certain securities in the United States may be made to QIBs in reliance on Rule 144A. Such securities may include those offered and sold outside the United States in transactions intended to be exempt from registration pursuant to Regulation S. This report does not constitute in any way an offer or a solicitation of interest in any securities to be offered or sold pursuant to Regulation S. Any such securities may not be offered or sold to U.S. Persons at this time and may be resold to U.S. Persons only if such securities are registered under the Securities Act of 1933, as amended, and applicable state securities laws, or pursuant to an exemption from registration. The products sold by KBC Financial Products USA, Inc or any affiliate thereof, including KBC Securities or KBC Financial Products UK Limited, are not insured by the FDIC, are not obligations of or guaranteed by KBC Bank NV or its affiliates, and are subject to investment risks, including possible loss of the entire amount invested.

This publication is for distribution in or from the United Kingdom only to persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom or any order made thereunder or to investment professionals as defined in Section 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and is not intended to be distributed or passed on, directly or indirectly, to any other class of persons.

This publication is for distribution in Canada only to pension funds, mutual funds, banks, asset managers and insurance companies. The distribution of this publication in other jurisdictions may be restricted by law, and persons into whose possession this publication comes should inform themselves about, and observe, any such restrictions.

Copyright: © 2010 KBC Securities