

**Construction**

Poland

Current price	PLN 97.8
Target price	PLN 112.4
Market cap	PLN 0.46bn
Free float	PLN 0.21bn
Avg daily trading volume (3M)	PLN 0.31m

Shareholder Structure

AVIVA OFE	15.16%
ING OFE	9.95%
OFE PZU	9.79%
AXA OFE	8.34%
Generali OFE	8.64%
Amplico OFE	5.65%
Others	42.47%

Sector Outlook

New year deals a new hand. The WIG Budownictwo index of construction stocks is not likely to be outperformed by the broad WIG index in 2012. The opportunities awaiting companies this year come from power plant contracts, and the risks stem from road contracts (weak operating cash flows, delayed payments). We would pick small and medium-sized builders over large players when looking for investments in the construction sector because they work on shorter deadlines and enjoy solid balance sheets.

Company Profile

Elektrobudowa specializes in the manufacture and assembly of power switching and distribution systems for power plants, manufacturers, and infrastructure facilities.

Elektrobudowa Accumulate

ELB PW; LBUD.WA

(Reiterated)

On Track For Growth

Elektrobudowa reported weak financial results in the first half of 2011 caused by low capacity utilization at its switchgear factory which cost the company PLN 8m in lost operating profits. The improvement recorded in the third quarter is expected to continue into 2012. Elektrobudowa has slashed its FY2011 net earnings guidance from PLN 48.3m to PLN 38.1m. This prompted downward revisions in our 2012 forecasts which, however, did not alter our belief that the company has tremendous growth prospects ahead thanks to its positioning as subcontractor providing specialized services in power plant projects. In a down market, Elektrobudowa can become an acquisition target. Elektrobudowa's order backlog stood at PLN 867.1m at 30 September 2011 (compared to PLN 638.7m at the end of June 2010), suggesting a strong revenue outlook for 2012. We are reiterating an accumulate rating on ELB shares with the price target at PLN 112.4 per share.

2012 forecasts

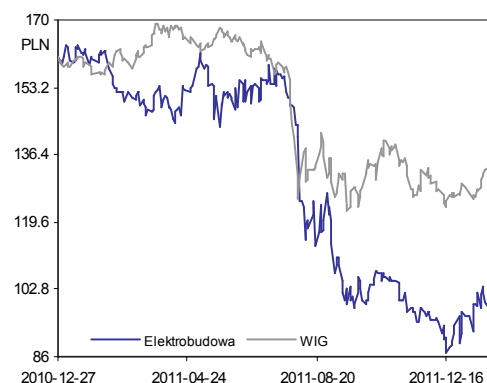
We anticipate continued improvement in Elektrobudowa's financial performance in 2012, with gross profit rising by about PLN 10.8m, thanks mainly to a full H1 2012 switchgear backlog. At the same time, we expect the company's own guidance, scheduled to be announced in a matter of weeks, to be lower as a consequence of more conservative assumptions.

Power plant projects

In 2012-2020, power generation units with total capacity of 6.9 GW will be switched off in Poland. Electricity consumption is increasing by the year. The power grid's operational reserve is small, and it will continue shrinking in 2012-2016. New investment is necessary, or Poland will face power shortages. The new units under planning now will not become operational until 2016/2017. They will start contributing to the earnings of Elektrobudowa in 2013/2014.

Relative valuation

Elektrobudowa is trading at a premium to Polish construction stocks, and at a discount to foreign engineering corporations. The 2011 and 2012 medians for foreign stocks are 16.0 and 13.1, respectively, and the EV/EBITDA medians are 6.0 and 5.7.

ELB vs. WIG**Maciej Stokłosa**

(48 22) 697 47 41

maciej.stoklosa@dibre.com.pl

www.dibre.com.pl

(PLN m)	2009	2010	2011F	2012F	2013F
Revenue	700.9	786.7	930.1	961.9	1 087.8
EBITDA	80.2	65.3	64.8	66.5	77.7
<i>EBITDA margin</i>	11.4%	8.3%	7.0%	6.9%	7.1%
EBIT	69.0	53.1	52.1	53.4	64.0
Net income	54.5	45.1	39.6	45.6	54.5
P/E	8.5	10.3	11.7	10.2	8.5
P/CE	7.2	8.3	8.9	8.1	7.0
P/BV	1.6	1.5	1.4	1.3	1.2
EV/EBITDA	4.4	6.0	6.6	6.2	5.2
DYield	3.2%	3.6%	6.1%	2.9%	3.5%

FY2011 Estimate Revisions

We made revisions to our FY2011 estimates for Elektrobudowa, and we expect the annual net profit to be higher than the company's own guidance which we consider to be conservative.

Elektrobudowa's new FY2011 guidance

	New guidance	Our old estimate	Difference	New guidance	Old guidance	Difference
Revenue	930.8	867.2	7.3%	930.8	793.5	17.3%
Net profit	38.1	49.7	-23.4%	38.1	48.3	-21.2%
Margin %	4.1%	5.7%	-	4.1%	6.1%	-
P/E	12.0	9.2	-	12.0	9.4	-

Source: Elektrobudowa, BRE Bank Securities

2011-2017 revenue forecast by operating segment

	Q4 2011F	2012F	2013F	2014F	2015F	2016F	2017F
Solutions for Power Generation	111.2	340.0	353.6	374.8	419.8	453.4	485.1
Solutions for Power Distribution	91.9	220.0	230.0	315.5	332.9	349.5	366.0
Solutions for Manufacturers	105.4	330.1	336.7	353.5	370.5	387.2	403.8
Automation	8.6	38.0	39.5	41.9	46.9	50.7	54.2
Other services	0.5	2.0	2.0	2.1	2.2	2.2	2.3
Total	317.5	930.1	961.9	1 087.8	1 172.3	1 243.0	1 311.4

Source: Elektrobudowa, BRE Bank Securities

2011-2017 EBIT margin forecast by operating segment

	Q4 2011F	2012F	2013F	2014F	2015F	2016F	2017F
Solutions for Power Generation	6.1%	6.2%	5.8%	6.2%	7.0%	7.0%	6.5%
Solutions for Power Distribution	8.5%	5.7%	6.6%	7.0%	7.0%	7.0%	7.0%
Solutions for Manufacturers	5.7%	4.2%	4.0%	4.0%	4.0%	4.0%	4.0%
Automation	6.8%	6.0%	5.5%	5.5%	5.5%	5.5%	5.5%
Other services*	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Elektrobudowa, BRE Bank Securities; *Property rental

Valuation

Using DCF analysis and relative valuation, we set the price target for Elektrobudowa at PLN 112.4 per share. The target implies 14.9% upside potential from current levels, prompting an accumulate rating.

Valuation Summary

	Value per share	Weight
DCF Analysis	127.0	50%
Relative Valuation	81.3	50%
Average	104.3	
9M cost of equity	7.9%	
Target Price	112.4	

Source: BRE Bank Securities

Relative Valuation

Compared to a peer group of large WSE-listed construction firms, Elektrobudowa is trading at a 24.5% premium on estimated 2011-2013 P/E and EV/EBITDA multiples. The premium is justified by the company's better growth prospects and lower investment risk.

Comparison with Polish peers

	2011E P/E	2012E P/E	2013E P/E	2011E EV/EBITDA	2012E EV/EBITDA	2013E EV/EBITDA
Budimex	8.1	8.3	11.0	2.2	4.1	6.9
Erbud	<0	8.6	8.4	<0	5.2	4.6
Mostostal Warszawa	<0	9.3	6.8	<0	3.3	2.5
PBG	5.1	10.9	7.0	10.7	9.4	6.9
Polimex Mostostal	8.3	8.9	8.3	5.9	5.7	5.3
Rafako	7.6	8.2	7.0	6.1	5.0	3.7
Unibep	9.2	7.6	7.5	5.7	6.8	4.1
ZUE	7.5	8.0	7.9	5.5	4.0	3.6
Median	7.9	8.4	7.7	5.8	5.1	4.3
Elektrobudowa	11.9	10.3	8.7	6.7	6.3	5.3
Premium (discount)	51.9%	22.7%	12.9%	14.9%	23.6%	21.3%
Multiple weight	15.0%	20.0%	15.0%	15.0%	20.0%	15.0%

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

Compared to international engineering corporations developing power plants and chemical and petrochemical manufacturing facilities, Elektrobudowa is trading at a 6.9% discount.

Comparison with international peers

	2011E P/E	2012E P/E	2013E P/E	2011E EV/EBITDA	2012E EV/EBITDA	2013E EV/EBITDA
Tecnicas Reunidas	11.9	11.5	11.0	5.7	5.6	5.4
Technip	17.1	15.5	12.4	7.8	6.7	5.5
McDermott International	14.4	13.1	9.5	6.5	6.1	4.9
Fluor Corp	16.1	14.2	12.7	6.0	5.5	5.0
Foster Wheeler	14.3	11.4	9.5	5.8	4.9	4.1
Alstom	7.3	8.0	7.1	5.5	5.7	5.2
KBR	9.9	12.0	10.2	6.2	5.9	5.1
Shaw Group	542.5	13.3	11.0	18.1	5.4	4.7
JGC	22.3	12.4	10.8	5.9	5.1	4.7
Chiyoda	46.1	24.8	15.6	5.3	6.4	4.1
Linde	16.0	15.3	13.6	8.7	8.3	7.6
Median	16.0	13.1	11.0	6.0	5.7	5.0
Elektrobudowa	11.9	10.3	8.7	6.7	6.3	5.3
Premium (discount)	-25.3%	-20.9%	-21.1%	11.4%	9.5%	5.3%

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

DCF Model Assumptions:

- Growth rate after FY2017 = 3%.
- Risk-free rate = 5.7% (equivalent to yield on 10Y T-bonds).
- Earnings forecasts for the different operating segments are as outlined above.
- The valuation factors in a dividend payout from 2011 earnings.

DCF Model

(PLN m)	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2020+
Revenue	930.1	961.9	1 087.8	1 172.3	1 243.0	1 311.4	1 377.3	1 439.9	1 500.7	1 557.3	
<i>change</i>	18.2%	3.4%	13.1%	7.8%	6.0%	5.5%	5.0%	4.5%	4.2%	3.8%	
EBITDA	64.8	65.0	76.2	85.2	90.4	93.0	97.7	102.1	106.0	108.5	
<i>EBITDA margin</i>	7.0%	6.8%	7.0%	7.3%	7.3%	7.1%	7.1%	7.1%	7.1%	7.0%	
D&A expenses	12.7	11.6	12.2	12.8	13.5	14.3	15.0	15.6	15.9	15.9	
EBIT	52.1	53.4	64.0	72.4	76.8	78.7	82.7	86.4	90.1	92.6	
<i>EBIT margin</i>	5.6%	5.6%	5.9%	6.2%	6.2%	6.0%	6.0%	6.0%	6.0%	5.9%	
Equity in profits of associates	0.0	1.5	1.5	1.6	1.6	1.7	1.7	1.8	1.8	1.9	
Adjusted EBIT	52.1	54.9	65.5	74.0	78.5	80.4	84.4	88.2	91.9	94.5	
EBIT tax	9.9	10.2	12.2	13.8	14.6	15.0	15.7	16.4	17.1	17.6	
NOPLAT	42.2	44.8	53.4	60.2	63.9	65.4	68.7	71.8	74.8	76.9	
CAPEX	-16.9	-16.2	-17.1	-18.0	-18.9	-20.0	-21.0	-20.3	-18.3	-15.9	
Working capital	-86.5	-9.8	-23.1	-15.7	-12.8	-10.6	-11.9	-11.3	-10.9	-10.0	
Other	-4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCF	-53.4	30.4	25.4	39.4	45.7	49.2	50.8	55.9	61.5	66.8	68.9
WACC	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.6%	
<i>discount factor</i>	100.0%	90.3%	81.6%	73.7%	66.6%	60.2%	54.3%	49.1%	44.3%	40.1%	
PV FCF	-53.4	27.5	20.7	29.0	30.4	29.6	27.6	27.4	27.3	26.8	
WACC	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.6%	
Cost of debt	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.8%	
Risk-free rate	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.6%	
Credit risk premium	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	
Effective tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	
Net debt / EV	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Cost of equity	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	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		905.9									
Present value of terminal value		363.2									
Present value of FCF in forecast period		193.0									
Present value of FCF		556.2									
Net debt		-72.6									
Investment in Biprohut		2.9									
Dividend payout		28.8									
Equity value		602.8									
Number of shares (millions)		4.7									
Value per share (PLN)		127.0									
9M cost of equity		7.9%									
Target Price		137.0									
EV/EBITDA ('11) for the target price		10.0									
P/E ('11) for the target price		16.4									
TV to EV		65%									

Sensitivity Analysis
FCF growth in perpetuity

	2.0%	2.5%	3.0%	3.5%	4.0%
WACC -1.0pp	137.0	143.3	150.5	158.8	168.7
WACC -0.5pp	131.6	137.0	143.3	150.5	158.8
WACC	126.7	131.6	137.0	143.3	150.5
WACC +0.5pp	122.4	126.7	131.6	137.0	143.3
WACC +1.0pp	118.6	122.4	126.7	131.6	137.0

Income Statement

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
Revenue	679.6	811.0	700.9	786.7	930.1	961.9	1 087.8
<i>change</i>	43.4%	19.3%	-13.6%	12.2%	18.2%	3.4%	13.1%
COGS	621.4	725.7	613.3	710.3	866.2	887.3	999.9
Gross profit	58.2	85.3	87.7	76.4	63.9	74.6	87.9
<i>gross margin</i>	8.6%	10.5%	12.5%	9.7%	6.9%	7.8%	8.1%
Selling expenses	-4.0	-5.1	-4.1	-4.6	-2.9	-3.1	-3.5
General and administrative expenses	-8.2	-13.0	-13.4	-12.8	-15.5	-16.4	-18.5
Other net operating income/expenses	-1.8	4.1	-1.1	-5.9	6.7	-1.7	-1.9
EBIT	44.2	71.3	69.0	53.1	52.1	53.4	64.0
<i>change</i>	87.9%	61.1%	-3.3%	-23.1%	-1.8%	2.6%	19.7%
<i>EBIT margin</i>	6.5%	8.8%	9.8%	6.7%	5.6%	5.6%	5.9%
Financial activity*	-1.2	-0.1	0.5	0.5	-1.6	1.4	1.8
Equity in income of associates	1.8	3.4	1.2	1.3	0.0	1.5	1.5
Pre-tax income	44.8	74.5	70.6	54.9	50.6	56.4	67.3
Tax	9.2	14.2	16.1	9.8	11.0	10.7	12.8
Minority interests	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Net income	34.7	60.3	54.5	45.1	39.6	45.6	54.5
<i>change</i>	125.2%	73.7%	-9.6%	-17.3%	-12.3%	15.4%	19.4%
<i>margin</i>	5.1%	7.4%	7.8%	5.7%	4.3%	4.7%	5.0%
D&A expenses	5.4	7.8	10.1	10.9	12.7	11.6	12.2
EBITDA **	51.4	82.4	80.2	65.3	64.8	66.5	77.7
<i>change</i>	82.1%	60.3%	-2.6%	-18.6%	-0.7%	2.6%	16.8%
<i>EBITDA margin</i>	7.6%	10.2%	11.4%	8.3%	7.0%	6.9%	7.1%
Shares at year-end (millions)	4.2	4.7	4.7	4.7	4.7	4.7	4.7
EPS	8.2	12.7	11.5	9.5	8.3	9.6	11.5
CEPS	9.5	14.3	13.6	11.8	11.0	12.0	14.0
ROAE	34.8%	33.4%	20.2%	14.8%	12.2%	13.2%	14.3%
ROAA	11.3%	15.3%	11.8%	8.6%	6.9%	7.7%	8.5%

* Interest income and expenses are part of other financial income and expenses for the purposes of our forecasts. Elektrobudowa recognizes interest income under other operating income.

** adjusted for equity in profits of associates (Russian companies).

Balance Sheet

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
ASSETS	338.9	448.6	474.0	579.4	573.4	611.1	678.1
Fixed assets	59.9	116.7	131.0	187.1	150.2	161.1	167.6
Intangible assets	3.7	27.6	26.3	26.5	28.3	28.3	28.3
Investments in associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	37.7	49.2	61.4	85.5	85.9	90.5	95.4
Long-term investment	2.1	2.1	6.9	36.3	2.7	5.9	5.9
- Investment fund shares				30.0	0.0	0.0	0.0
Other	16.3	37.8	36.4	38.9	33.2	36.4	38.0
Current assets	279.0	331.8	343.0	392.3	423.2	449.9	510.5
Inventories	14.8	6.6	5.3	25.8	47.5	48.6	54.8
Receivables	201.8	191.3	184.9	236.9	265.0	274.1	310.0
Short-term prepayments	2.3	2.6	2.6	3.4	4.3	4.3	4.3
Cash and cash equivalents	21.6	84.7	108.0	47.5	39.7	54.1	64.3
Other	38.4	46.7	42.2	78.6	66.7	68.8	77.1
(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
EQUITY AND LIABILITIES	338.9	448.6	474.0	579.4	573.4	611.1	678.1
Equity	111.7	249.6	289.2	320.2	330.1	362.1	400.2
Minority interests	0.0	0.0	0.0	0.2	0.4	0.4	0.4
Long-term liabilities	6.3	9.6	8.2	8.6	9.2	9.2	9.2
Loans, financial leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions and other	6.3	9.6	8.2	8.6	9.2	9.2	9.2
Short-term liabilities	220.9	189.3	176.6	250.6	233.7	239.4	268.3
Loans	22.5	0.0	0.0	5.0	0.0	0.0	0.0
Trade creditors	160.3	139.2	131.8	198.6	185.1	189.6	213.7
Long-term accruals	28.6	34.1	34.6	30.1	35.5	36.8	41.6
Other	9.5	16.1	10.2	16.9	13.0	13.0	13.0
Debt	22.5	0.0	0.0	5.0	0.0	0.0	0.0
Net debt	0.9	-84.7	-108.0	-72.6	-39.7	-54.1	-64.3
(Net debt / Equity)	0.8%	-33.9%	-37.3%	-22.7%	-12.0%	-14.9%	-16.1%
(Net debt / EBITDA)	0.0	-1.0	-1.3	-1.1	-0.6	-0.8	-0.8
BVPS	26.5	52.6	60.9	67.4	69.5	76.3	84.3

Cash Flows

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
Operating cash flows	23.5	73.9	65.2	12.7	4.1	42.9	41.8
Net income	34.7	60.3	54.5	45.1	39.6	45.6	54.5
D&A expenses	5.4	7.8	10.1	10.9	12.7	11.6	12.2
Working capital	-8.6	25.9	-17.5	-42.4	-86.5	-9.8	-23.1
Other	-8.0	-20.1	18.0	-0.9	38.3	-4.6	-1.8
Cash flows from investing activities	-14.9	-65.1	-27.1	-56.8	15.2	-16.2	-17.1
CAPEX	-10.6	-17.3	-22.5	-34.9	-16.9	-16.2	-17.1
Capital investment	0.0	-53.5	-7.8	-30.0	-4.9	0.0	0.0
Other	-4.2	5.7	3.2	8.0	37.1	0.0	0.0
Cash flows from financing activities	-13.1	66.3	-14.8	-16.4	-28.5	-12.3	-14.6
Stock issue	0.0	88.9	0.0	0.0	0.0	0.0	0.0
Debt	-3.4	-10.6	0.0	0.0	0.0	0.0	0.0
Dividend (buy-back)	-8.4	-11.9	-14.8	-16.6	-28.5	-13.7	-16.4
Other	-1.3	-0.1	0.0	0.2	0.0	1.4	1.8
Change in cash	-4.5	75.1	23.2	-60.5	-9.2	14.4	10.2
Cash at period-end	21.6	84.7	108.0	47.5	39.7	54.1	64.3
DPS (PLN)	2.0	2.5	3.1	3.5	6.0	2.9	3.4
FCF	22.0	20.6	18.1	-53.4	-53.4	30.4	25.4
(CAPEX / Sales)	1.6%	2.1%	3.2%	4.4%	1.8%	1.7%	1.6%

Market multiples

	2007	2008	2009	2010	2011F	2012F	2013F
P/E	11.9	7.7	8.5	10.3	11.7	10.2	8.5
P/CE	10.3	6.8	7.2	8.3	8.9	8.1	7.0
P/BV	3.7	1.9	1.6	1.5	1.4	1.3	1.2
P/S	0.6	0.6	0.7	0.6	0.5	0.5	0.4
FCF/EV	5.3%	5.4%	5.1%	-13.6%	-12.6%	7.4%	6.3%
EV/EBITDA **	8.0	4.6	4.4	6.0	6.6	6.2	5.2
EV/EBIT	9.0	5.1	5.1	7.2	8.2	7.5	6.1
EV/S	0.6	0.5	0.5	0.5	0.5	0.4	0.4
DYield	2.0%	2.6%	3.2%	3.6%	6.1%	2.9%	3.5%
Price (PLN)	97.8						
Shares at year-end (millions)	4.2	4.7	4.7	4.7	4.7	4.7	4.7
MC (PLN m)	412.7	464.3	464.3	464.3	464.3	464.3	464.3
Equity attributable to minority shareholders (PLN m)	0.0	0.0	0.0	0.2	0.4	0.4	0.4
EV (PLN m)	413.6	379.6	356.3	392.0	424.9	410.5	400.4

** adjusted for equity in profits of associates (Russian companies).

Michał Marczak tel. (+48 22) 697 47 38
Managing Director
Head of Research
michal.marczak@dibre.com.pl
Strategy, Telco, Mining, Metals

Research Department:

Kamil Kliszcz tel. (+48 22) 697 47 06
kamil.klischcz@dibre.com.pl
Fuels, Chemicals, Energy

Piotr Grzybowski tel. (+48 22) 697 47 17
piotr.grzybowski@dibre.com.pl
IT, Media

Maciej Stokłosa tel. (+48 22) 697 47 41
maciej.stoklosa@dibre.com.pl
Construction

Jakub Szkopek tel. (+48 22) 697 47 40
jakub.szkopek@dibre.com.pl
Manufacturers

Iza Rokicka tel. (+48 22) 697 47 37
iza.rokicka@dibre.com.pl
Banks

Gabriela Borowska tel. (+48 22) 697 47 36
gabriela.borowska@dibre.com.pl
Retail

Piotr Zybala tel. (+48 22) 697 47 01
piotr.zybala@dibre.com.pl
Real-Estate Developers

Sales and Trading:

Piotr Dudziński tel. (+48 22) 697 48 22
Director
piotr.dudzinski@dibre.com.pl

Marzena Łempicka-Wilim tel. (+48 22) 697 48 95
Deputy Director
marzena.lempicka@dibre.com.pl

Traders:

Emil Onyszczyk tel. (+48 22) 697 49 63
emil.onyszczyk@dibre.com.pl

Michał Jakubowski tel. (+48 22) 697 47 44
michal.jakubowski@dibre.com.pl

Tomasz Jakubiec tel. (+48 22) 697 47 31
tomasz.jakubiec@dibre.com.pl

Michał Stępkowski tel. (+48 22) 697 48 25
michal.stepkowski@dibre.com.pl

Paweł Majewski tel. (+48 22) 697 49 68
pawel.majewski@dibre.com.pl

Foreign Markets Unit:

Adam Prokop tel. (+48 22) 697 48 46
Foreign Markets Manager
adam.prokop@dibre.com.pl

Michał Roźmiej tel. (+48 22) 697 48 64
michal.rozmiej@dibre.com.pl

Jakub Słotkiewicz tel. (+48 22) 697 48 64
jakub.slotkiewicz@dibre.com.pl

Jacek Wrzeźniewski tel. (+48 22) 697 49 85
jacek.wrzesniewski@dibre.com.pl

"Private Broker"

Jarosław Banasiak tel. (+48 22) 697 48 70
Director, Active Sales
jaroslaw.banasiak@dibre.com.pl

Dom Inwestycyjny
BRE Banku S.A.
ul. Wspólna 47/49
00-950 Warszawa
www.dibre.com.pl

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

Recommendations of BRE Bank Securities

A recommendation is valid for a period of 6-9 months, unless a subsequent recommendation is issued within this period. Expected returns from individual recommendations are as follows:

BUY – we expect that the rate of return from an investment will be at least 15%
ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
HOLD – we expect that the rate of return from an investment will range from -5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
SELL – we expect that an investment will bear a loss greater than 15%
 Recommendations are updated at least once every nine months.

This document has been created and published by BRE Bank Securities S.A. The present report expresses the knowledge as well as opinions of the authors on day the report was prepared. The opinions and estimates contained herein constitute our best judgement at this date and time, and are subject to change without notice. The present report was prepared with due care and attention, observing principles of methodological correctness and objectivity, on the basis of sources available to the public, which BRE Bank Securities S.A. considers reliable, including information published by issuers, shares of which are subject to recommendations. However, BRE Bank Securities S.A., in no case, guarantees the accuracy and completeness of the report, in particular should sources on the basis of which the report was prepared prove to be inaccurate, incomplete or not fully consistent with the facts. BRE Bank Securities S.A. bears no responsibility for investment decisions taken on the basis of the present report or for any damages incurred as a result of investment decisions taken on the basis of the present report.

This document does not constitute an offer or invitation to subscribe for or purchase any financial instruments and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. It is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. This document nor any copy hereof is not to be distributed directly or indirectly in the United States, Australia, Canada or Japan.

Recommendations are based on essential data from the entire history of a company being the subject of a recommendation, with particular emphasis on the period since the previous recommendation. Investing in shares is connected with a number of risks including, but not limited to, the macroeconomic situation of the country, changes in legal regulations as well as changes on commodity markets. Full elimination of these risks is virtually impossible.

It is possible that BRE Bank Securities S.A. renders, will render or in the past has rendered services for companies and other entities mentioned in the present report.

The present report was not transferred to the issuer prior to its publication.

BRE Bank Securities S.A., its shareholders and employees may hold long or short positions in the issuer's shares or other financial instruments related to the issuer's shares. BRE Bank Securities S.A., its affiliates and/or clients may conduct or may have conducted transactions for their own account or for account of another with respect to the financial instruments mentioned in this report or related investments before the recipient has received this report.

Copying or publishing the present report, in full or in part, or disseminating in any way information contained in the present report requires the prior written agreement of BRE Bank Securities S.A.

Recommendations are addressed to all Clients of BRE Bank Securities S.A. This report is not for distribution to third parties. The activity of BRE Bank Securities S.A. is subject to the supervision of the Polish Financial Supervision Commission.

Individuals who did not participate in the preparation of this recommendation, but had or could have had access to the recommendation prior to its publication, are employees of BRE Bank Securities S.A. authorised to access the premises in which recommendations are prepared, other than the analysts mentioned as the authors of the present recommendation.

Strong and weak points of valuation methods used in recommendations:

DCF – acknowledged as the most methodologically correct method of valuation; it is based in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.

Comparative – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

Previous ratings issued for Elektrobudowa

Rating	Hold	Accumulate	Buy	Accumulate
Date issued	2011-07-20	2011-08-04	2011-10-06	2012-01-23
Price on rating day	155.50	141.00	100.00	99.50
WIG on rating day	46651.79	44536.67	37496.93	39518.87