

**Construction**

Poland

Current price	PLN 76.9
Target price	PLN 78.5
Market cap	PLN 1.11bn
Free float	PLN 0.44bn
Avg daily trading volume (3M)	PLN 12.76m

Shareholder Structure

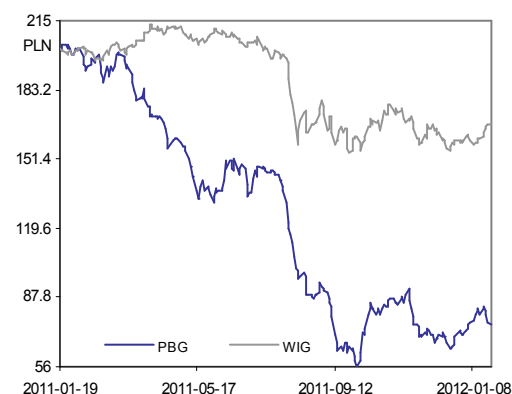
Jerzy Wiśniewski	27.15%
Pionier Pekao IM	18.91%
ING Nationale-Nederlanden Polska OFE	12.92%
Others	41.02%

Sector Outlook

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

Company Profile

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

PBG vs. WIG**Maciej Stokłosa**

(48 22) 697 47 41

maciej.stoklosa@dibre.com.pl

www.dibre.com.pl

PBG

PBG PW; PBGG.WA

Hold

(Reiterated)

Steady Debt, Rising Risks

Showing no major reduction in net debt and negative operating cash flows, PBG's Q4 2011 results will make it stand out in the construction industry. The company's ratio of net debt to EBITDA (including the recently acquired Rafako) will be 3.7. It does not look like PBG can significantly reduce its debt until Q2 2012, the results of which are typically published around August or September, dangerously close to the time banks usually make decisions about credit extensions. PBG needs to obtain extensions for about PLN 900m-worth of loans in the second half of 2012. The company is also planning a eurobond issue—a risky idea in the current economic climate in Europe. The bulk of PBG's debt is a consequence of defaulting contract payments which may take some time to recover. We updated our 2012 forecasts for the company to reflect expected losses on road contracts. Summing up, the risks facing PBG include: a large debt, the need for loan extensions, outstanding contract payments, and an aggressive accounting policy. Our revised financial forecasts for PBG assume persisting debt and weakening profits. The beta value is 1.2. The target price was depressed mainly by relative valuation. We are reiterating our target price of PLN 78.5 per share and we recommend holding the stock.

At PLN 0 per share, adjusted 2011 EV/EBITDA = 5.9

Because of its large debt and a high share of minority interests in the ownership structure, PBG is expensive judging based on EV/EBITDA. Even assuming that its shares are valued at zero, the adjusted 2011 EV/EBITDA ratio is 5.9 compared to 2012 EV/EBITDA averages of 3.5-4 displayed by a number of smaller companies working smaller assignments and generating cash.

PBG / Alstom alliance

Rafako is in a PLN 135m dispute with Alstom which, however, does not affect the partnership that PBG has struck with Alstom when bidding for power plant contracts. PBG has a precisely defined stake in the bidding consortium. What could be a threat are claims made by German power utilities against Alstom Power Systems.

Road contract settlements

The National Road Authority GDDKiA refuses to recognize the claims of construction companies seeking additional compensation for the extra work they needed to perform on certain road projects. If the GDDKiA persists in its stance, the only way to recover such claims will be in court after 2-3 years of litigation.

(PLN m)	2009	2010	2011F	2012F	2013F
Revenues	2 578.0	2 740.3	3 280.5	4 950.6	4 408.5
EBITDA	333.6	319.4	299.2	294.9	375.6
EBITDA margin	12.9%	11.7%	9.1%	6.0%	8.5%
EBIT	286.5	272.7	243.0	234.6	315.1
Net profit	210.6	224.3	215.4	100.2	156.5
P/E	5.2	4.9	5.1	11.0	7.0
P/CE	4.3	4.1	4.0	6.9	5.1
P/BV	0.8	0.7	0.6	0.6	0.5
EV/EBITDA	5.4	6.0	10.7	9.4	6.9
Adj. EV/EBITDA			9.7	8.3	5.9
DYield	0.0%	1.8%	0.0%	2.0%	0.9%

2012 order backlog

PBG's order backlog for 2012 amounts to nearly PLN 3.9bn, including PLN 1.0bn in Rafako's orders. Orders in the backlog account for 78.3% of revenues forecasted for 2012. During the year, the Group will also bid for the following contracts:

- for the construction of major power-generation units (PLN 26bn value);
- for waste incinerator plants (PLN 2.5-3bn);
- for gas pipelines (PLN 2.5-3bn).

Despite the record-high share the road construction segment will have in this year's revenues, PBG's exposure to the road construction segment will be reduced to minimum in the following years (Aprivia's operations in local and urban markets).

PBG's order backlog

(PLN m)	2012	2012+
Segment		
Gas and Oil Engineering	551.0	465.5
Hydroengineering	406.0	152.0
General Construction	116.0	57.0
Road Construction	1 508.0	266.0
Power Engineering	290.0	9.5
Power Engineering: Rafako	1 004.5	439.8
Total	3 875.5	1 389.8
Forecasted revenues	4 950.6	4 408.5
Orders / forecasted revenues	78.3%	31.5%

Source: BRE Bank Securities S.A., PBG, Rafako; data for mid-November 2011

Outlook for power engineering contracts

We estimate the value of power-engineering contracts still to be awarded at nearly PLN 26bn. Alstom makes bids for such contracts together with its subsidiary Alstom Power Systems. We believe that most of them will be awarded in 2012. The PLN 9.3bn contract for the construction of new power units at the Opole PP should be awarded in the near future, most likely to the 'Polish consortium' comprising Rafako, Polimex Mostostal and Mostostal Warszawa.

This will be good news for PBG, as upon the signing of the contract an advance amounting to 3% of the gross value of the contract will be paid (PLN 340m, including PLN 120m for Rafako). Later in 2012, a 5% advance will be paid (PLN 567m, including nearly PLN 200m for Rafako). The funds will appear on the contractors' balance sheets and, with a certain delay, will be spent, e.g. to pay an advance to the supplier of the turbine and the generator.

Major power engineering contracts

No.	Location, capacity, owner	Value (PLN m)
1	Opole, 2*1000 MW, PGE	9 300
2	Kozienice, 900-1000 MW, Enea	5 200
3	Jaworzno, 800-910 MW, Tauron	4 732
4	Turów, 430-450 MW, PGE	2 392
5	Stalowa Wola, 400-430 MW, Tauron and PGNiG	1 600
6	Włocławek, 400-500 MW, PKN Orlen	1 500
7	Wrocław, 400 MW, Fortum	1 200

Source: BRE Bank Securities

In other major tenders, PBG makes joint bids with Alstom. This cooperation is not going well, however, as shown by Alstom's PLN 135m claim against Rafako on account of delays on the Bełchatów project. The funds have been paid to Alstom in spite of a court injunction. We believe Rafako has stronger arguments in this dispute and the funds will be returned to it within a few months.

In the context of PBG's and Alstom's joint bids for major power unit construction, Alstom's claim is not a good signal, but not a very bad one either. It is worth noting that:

- a) PBG's stake in consortia with Alstom is clearly delineated (with regard to the share of work and profits):
- b) Alstom cannot exclude PBG from a consortium without withdrawing the entire bid, nor can it reduce PBG's stake in a consortium.

A bigger risk stems from the financial situation of Alstom Power Systems, Alstom's subsidiary that joins PBG in the bidding consortia. APS was in charge of power unit construction in Germany where a number of unfavorable developments coincided:

- a) Construction delays resulting in the risk of contractual penalties;
- b) The use of novel steel alloys, including T24 (bursting boilers, repair expenses, delays, risk of penalties);
- c) Increase in construction costs and in the price of steel and other commodities (financial losses).

As a result, Alstom Power Systems has found itself in tough financial straits and is facing major claims. Needless to say, the Alstom Group as a whole is in comfortable position with considerable net cash.

Road contract risks

Road construction contracts turned out to be bad for construction companies due to:

- a) Rising construction costs (aggregate, transportation, asphalt). As a rule, companies assumed that construction costs would be flat over the duration of the contracts. Just for this reason, the estimated margins on these contracts would now fall close to zero.
- b) Bidding errors (by way of example, Poldim's contract was 'sunk' by the assumption that it will be possible to transport aggregate from a new quarry located in close proximity of construction site, but the quarry failed to get an operating license).
- c) Payment delays (the Company can only issue an invoice, payable within 30-45 days, after the work has been accepted by project engineer, which is often delayed).
- d) Disputes. It frequently turns out that a given road construction projects requires additional work not covered by the original contract. As a result, companies bring financial claims to the national road authority GDDKiA. We estimate that in the case of major listed construction companies, the value of such claims may amount to PLN 150-300m per company.

The claims concern work already performed (past cash outflows) as well as remaining to be performed (future cash outflows). In general, we believe they are warranted, but it is hard to say when they are going to be accepted.

They must be accepted by:

- a) Project engineer (an external company).
- b) The GDDKiA.

The problem is that, for the time being, the GDDKiA refuses to acknowledge the claims (such a move would create a major risk to its employees, e.g. due to potential suspicions of corruption). In such a case, the only option remaining is litigation. We have factored the risk of claim non-payment by the GDDKiA into our valuation by adopting more conservative assumptions on changes to net debt.

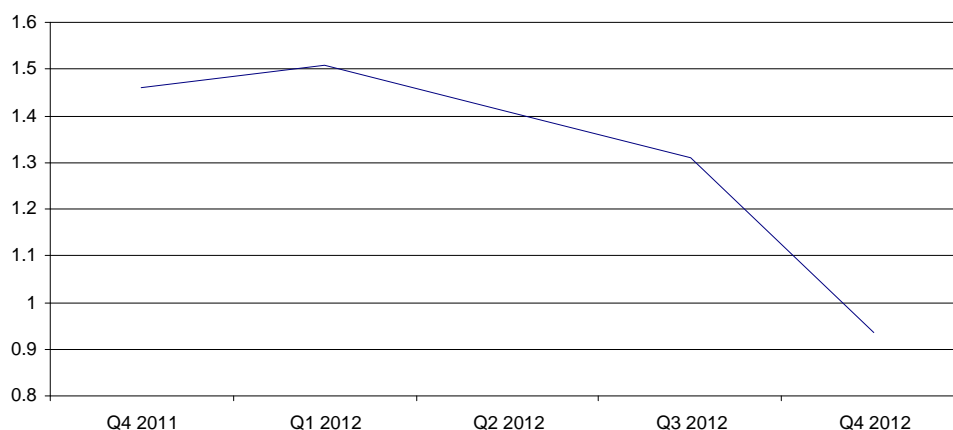
Our forecasts assume that in 2012 PBG will thoroughly review its road construction contracts. We project the segment's EBIT margin in 2012 at -5%.

Net debt forecast

PBG's consolidated results for 2011 are good as far as the income statement is concerned. Unfortunately, good cash flows do not follow suit. We do not expect a major reduction in net debt in Q4 2011, nor in Q1 2012. The cash position should start recovering in Q2 2012.

In H1 2012, PBG must roll over loans totaling PLN 0.2bn; in H2, PLN 0.9bn. Assuming a lower net income in 2012 and a lower EBITDA, the year-average net debt / EBITDA ratio may approach ca. 5.0, which will not be helpful for bond offerings and negotiations with banks.

Forecasted net debt (PLN m)



Source: BRE Bank Securities

Factors that might help reduce net debt

(PLN m)	No earlier than	Amount	Likelihood
Sale of the Skalar building	Q1 2012	105.0	Big
Strateg Capital	Q4 2012	280.0	Small
Land in Bydgoszcz	Q3 2012	45.0	Small
Opole contract advance (1)	Q2 2012	120.0	Big
Opole contract advance (2)	Q4 2012	200.0	Big
Loan repayment	Q2 2012	45.0	Big

Source: BRE Bank Securities

Receivables, payables and revenues

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
Receivables	1 062.5	1 524.0	1 885.5	1 783.2	2 510.6	2 429.2	2 131.2
Payables	587.4	584.9	1 136.0	1 370.9	1 586.6	1 964.3	1 742.2
Difference	475.1	939.1	749.6	412.3	924.1	464.8	388.9
Revenues in Road Construction and Hydroengineering	936.6	1256.9	1183.1	942.9	1535.8	1937.8	777.3
Difference / revenues	50.7%	74.7%	63.4%	43.7%	60.2%	24.0%	50.0%

Source: BRE Bank Securities, PBG

Valuation

We have valued the PBG stock using relative valuation and the DCF method. Our target price is PLN 78.5 per share, which is 2.4% higher than market price. We therefore recommend holding the stock.

	Valuation	Weight
DCF Analysis	82.6	50%
Relative Valuation	61.9	50%
Average	72.3	
9M cost of equity	8.7%	
Target Price	78.5	

Relative Valuation

The peer group for PBG is composed of Polish construction companies. On estimated 2011-2013 P/E and EV/EBITDA multiples, PBG is trading at a 28% premium to peer median. This huge premium is driven by the EV/EBITDA multiple. We have adjusted it for differences in the book and market value of minority interest (in Rafako, Hydrobudowa, Energomontaż Południe).

Multiples comparison

	2011F P/E	2012F P/E	2013F P/E	2011F EV/EBITDA	2012F EV/EBITDA	2013F EV/EBITDA
Budimex	8.1	8.3	11.0	2.2	4.1	6.9
Erbud	<0	8.6	8.4	<0	5.2	4.6
Elektrobudowa	11.9	10.3	8.7	6.7	6.3	5.3
Mostostal Warszawa	<0	9.3	6.8	<0	3.3	2.5
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	8.2	8.4	8.1	5.8	5.1	4.3
PBG	5.1	10.9	7.0	9.6	8.2	5.9
Premium (discount)	-37.8%	29.6%	-13.4%	65.8%	61.7%	35.1%
Multiple weight	15.0%	20.0%	15.0%	15.0%	20.0%	15.0%

* Relative valuation as of 23 January 2012

DCF Valuation

DCF Model Assumptions

- Risk-free rate = 5.7% (10Y T-bond yield).
- FCF growth rate after FY2017 = 3%.
- Strateg Capital, the property development project in Kiev and the Skalar building will not be sold.
- The analysis does not factor in the potential sales of a land property in Bydgoszcz, or its development into a shopping center.
- We have introduced a small (PLN 50m) adjustment to year-end debt for year-average levels;
- Minority interest valued at market cap.
- The beta is 1.2 to reflect risks related to debt levels and major road construction contracts.

DCF Model

(PLN m)	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2020+
Revenue	3 280.5	4 950.6	4 408.5	4 581.1	4 942.5	5 135.7	5 327.4	5 517.1	5 699.0	5 875.7	
Change	19.7%	50.9%	-10.9%	3.9%	7.9%	3.9%	3.7%	3.6%	3.3%	3.1%	
EBITDA	299.2	294.9	375.6	402.3	426.7	438.9	451.3	463.0	473.0	479.1	
EBITDA margin	9.1%	6.0%	8.5%	8.8%	8.6%	8.5%	8.5%	8.4%	8.3%	8.2%	
D&A expenses	56.2	60.3	60.5	60.7	60.9	61.1	61.4	61.6	61.8	61.8	
EBIT	243.0	234.6	315.1	341.6	365.8	377.8	390.0	401.4	411.3	417.3	
EBIT margin	7.4%	4.7%	7.1%	7.5%	7.4%	7.4%	7.3%	7.3%	7.2%	7.1%	
Tax on EBIT	46.2	44.6	59.9	64.9	69.5	71.8	74.1	76.3	78.1	79.3	
NOPLAT	196.9	190.0	255.2	276.7	296.3	306.0	315.9	325.2	333.1	338.0	
CAPEX	-866.7	-229.8	-63.5	-63.7	-64.0	-64.2	-64.4	-64.6	-64.9	-61.8	
Working capital	-558.1	528.3	41.4	-39.1	-70.3	-37.2	-37.0	-36.4	-34.5	-32.2	
Property valuation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	0.0	-4.5	-5.4	-5.5	-5.7	-5.9	-6.1	-6.2	-6.4	-6.6	
FCF											
WACC	-1171.8	544.3	288.2	229.0	217.2	259.9	269.7	279.4	289.1	299.2	308.2
Discount factor	9.6%	10.2%	10.6%	10.8%	11.1%	11.4%	11.7%	11.7%	11.7%	11.6%	
PV FCF	100.0%	90.7%	82.0%	74.0%	66.6%	59.8%	53.6%	48.0%	42.9%	38.5%	
	-1171.8	493.7	236.4	169.5	144.8	155.5	144.5	134.0	124.2	115.1	
WACC											
Cost of debt	9.6%	10.2%	10.6%	10.8%	11.1%	11.4%	11.7%	11.7%	11.7%	11.6%	
Risk-free rate	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.6%	
Risk premium	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.6%	
Effective tax rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Net debt / EV	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	
	45%	31%	24%	19%	14%	7%	0%	0%	0%	0%	
Cost of equity											
Risk premium	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.6%	
Beta	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
FCF growth after the forecast period	3.0%										
Terminal value	3 583.8										
Present value of terminal value (PV TV)	1 378.9										
Present value of FCF in the forecast horizon	545.9										
PV FCF	1 924.8										
Net debt	585.0										
Other investment properties	242.2										
Minority interests	330.7										
Adjustment for year-average debt	50.0										
Dividend paid	20.0										
Equity value	1 181.4										
Number of shares (millions)	14.3										
Equity value per share (PLN)	82.6										
9M cost of equity	8.7%										
Target Price	89.8										
EV/EBITDA ('11) for the target price	10.2										
P/E ('11) for the target price	6.0										
TV / EV	72%										

Sensitivity analysis

FCF growth in perpetuity

	2.0%	2.5%	3.0%	3.5%	4.0%
WACC -1.0pp	79.3	84.9	91.2	98.2	106.2
WACC -0.5pp	78.6	84.2	90.5	97.5	105.4
WACC	78.0	83.5	89.8	96.8	104.7
WACC +0.5pp	77.3	82.9	89.1	96.0	103.9
WACC +1.0pp	76.7	82.2	88.4	95.3	103.2

Income Statement

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
Revenue	1 376.8	2 089.3	2 578.0	2 740.3	3 280.5	4 950.6	4 408.5
<i>Change</i>	104.2%	51.8%	23.4%	6.3%	19.7%	50.9%	-10.9%
COGS	1 191.7	1 751.2	2 185.9	2 393.1	2 925.4	4 527.4	3 927.0
Gross profit	185.0	338.1	392.1	347.2	355.1	423.1	481.6
<i>Gross margin</i>	13.4%	16.2%	15.2%	12.7%	10.8%	8.5%	10.9%
Selling expenses	-0.4	0.0	0.0	-0.1	-4.9	-28.6	-25.5
G&A expenses	-79.6	-106.8	-109.8	-109.1	-116.8	-158.4	-141.1
Valuation of commercial properties				24.2	0.0	4.5	5.4
Other net operating income/expenses	4.3	-7.8	4.1	10.4	9.6	-6.0	-5.3
EBIT	109.4	223.4	286.5	272.7	243.0	234.6	315.1
<i>Change</i>	52.0%	104.3%	28.2%	-4.8%	-10.9%	-3.5%	34.3%
<i>EBIT margin</i>	7.9%	10.7%	11.1%	10.0%	7.4%	4.7%	7.1%
Financing income/expenses	34.7	-9.9	-23.9	-5.1	22.4	-82.8	-59.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	144.1	213.5	262.6	267.6	265.4	151.8	255.2
Tax	-26.7	-25.8	-40.6	-49.1	-39.5	-28.8	-48.5
Minority interests	-15.4	-29.7	-11.4	5.8	-10.5	-22.8	-50.2
Net profit	102.1	158.0	210.6	224.3	215.4	100.2	156.5
<i>Change</i>	95.6%	54.9%	33.3%	6.5%	-4.0%	-53.5%	56.3%
<i>margin</i>	7.4%	7.6%	8.2%	8.2%	6.6%	2.0%	3.6%
D&A expenses	28.8	47.1	47.1	46.7	56.2	60.3	60.5
EBITDA	138.2	270.6	333.6	319.4	299.2	294.9	375.6
<i>Change</i>	56.1%	95.8%	23.3%	-4.3%	-6.3%	-1.5%	27.4%
<i>EBITDA margin</i>	10.0%	12.9%	12.9%	11.7%	9.1%	6.0%	8.5%
Shares at year-end (millions)	13.4	13.4	14.3	14.3	14.3	14.3	14.3
EPS	7.6	11.8	14.7	15.7	15.1	7.0	11.0
CEPS	9.7	15.3	18.0	19.0	19.0	11.2	15.2
ROAE	18.3%	18.0%	17.5%	15.0%	12.7%	5.5%	8.1%
ROAA	6.1%	6.1%	6.1%	5.1%	3.9%	1.6%	2.7%

Balance Sheet

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
ASSETS	2 289.3	2 857.0	4 008.3	4 755.0	6 229.0	5 948.1	5 722.7
Fixed assets	717.9	909.3	1 011.5	1 599.1	2 583.9	2 597.9	2 606.3
Intangible assets	13.3	14.6	33.0	41.6	55.6	55.6	55.6
Goodwill	267.4	333.1	319.0	346.9	994.7	994.7	994.7
Property, plant and equipment	307.0	411.5	368.3	665.4	736.5	739.5	742.6
Investment properties	34.2	41.6	154.1	369.5	488.5	499.5	504.9
Other financial assets	63.4	57.2	115.0	114.8	203.8	203.8	203.8
Other	32.6	51.4	22.2	60.9	104.7	104.7	104.7
Current assets	1 571.3	1 947.6	2 996.8	3 155.8	3 645.0	3 350.2	3 116.4
Inventories	40.1	69.3	233.7	293.5	428.5	341.6	383.5
Receivables	602.6	725.1	1 135.8	1 335.0	1 712.3	2 034.5	1 811.7
Amounts receivable under construction contracts	445.2	777.8	725.6	393.6	539.3	203.4	120.8
Short-term prepayments	14.7	21.1	24.2	54.6	259.0	259.0	259.0
Cash and cash equivalents	410.3	289.7	660.3	863.8	416.7	272.4	302.1
Other financial assets	58.4	64.7	217.3	215.4	289.2	239.2	239.2
(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
EQUITY AND LIABILITIES	2 289.3	2 857.0	4 008.3	4 755.0	6 229.0	5 948.1	5 722.7
Equity	748.0	1 010.9	1 395.3	1 605.2	1 774.4	1 853.1	1 999.6
Minority interests	34.6	103.7	228.2	226.3	656.9	679.6	729.8
Long-term liabilities	330.0	364.8	561.8	985.6	722.8	722.8	722.8
Loans, finance leases	258.6	323.1	493.1	914.0	574.6	574.6	574.6
Provisions and other	71.4	41.7	68.7	71.6	148.2	148.2	148.2
Current liabilities	1 176.7	1 377.7	1 823.1	1 937.9	3 074.9	2 692.6	2 270.5
Loans	466.7	717.8	641.8	534.7	1 300.9	700.9	500.9
Trade payables	543.2	538.0	1 046.2	1 234.8	1 216.6	1 550.5	1 344.8
Amounts receivable under construction contracts	19.6	15.4	60.5	89.6	80.1	124.0	107.6
Other	147.2	106.4	74.6	78.8	477.1	317.1	317.1
Debt	725.2	1 040.9	1 134.9	1 448.7	1 875.5	1 275.5	1 075.5
Net debt	314.9	751.2	474.6	585.0	1 458.8	1 003.1	773.4
(Net debt / Equity)	42.1%	74.3%	34.0%	36.4%	82.2%	54.1%	38.7%
(Net debt / EBITDA)	2.3	2.8	1.4	1.8	4.9	3.4	2.1
BVPS	55.7	75.3	97.6	112.3	124.1	129.6	139.9

Cash Flows

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
Cash flow from operating activities	-117.6	-255.2	306.5	433.6	-335.0	789.9	363.1
Net profit	102.1	158.0	210.6	224.3	215.4	100.2	156.5
D&A expenses	28.8	47.1	47.1	46.7	56.2	60.3	60.5
Working capital	-177.7	-469.2	121.0	215.9	-558.1	528.3	41.4
Other	-70.7	8.8	-72.2	-53.3	-48.5	101.1	104.7
Cash flow from investing activities	-179.0	-191.7	-352.0	-530.0	-598.4	-229.8	-63.5
CAPEX *	-131.8	-191.9	-151.0	-390.1	-694.7	-229.8	-63.5
Equity investment	-41.7	19.7	14.5	-104.6	103.2	0.0	0.0
Other	-5.5	-19.6	-215.5	-35.2	-6.9	0.0	0.0
Cash flows from financing activities	655.5	325.1	416.9	144.9	349.0	-704.4	-269.9
Stock issue	333.1	292.3	181.8	-0.3	2.8	0.0	0.0
Debt	342.2	74.0	278.5	226.9	412.0	-600.0	-200.0
Dividend (buy-back)	-1.9	0.0	0.0	-20.0	0.0	-21.5	-10.0
Other	-17.9	-0.4	-1.2	0.0	-0.2	0.0	0.0
Change in cash	358.9	-121.9	371.4	48.5	-584.4	-144.3	29.7
Cash at period end	410.3	289.7	660.3	863.8	416.7	272.4	302.1
DPS (PLN)	0.1	0.0	0.0	1.4	0.0	1.5	0.7
FCF	-207.7	-473.6	249.2	-200.4	-1 171.8	544.3	288.2
(CAPEX / Sales)	9.6%	9.2%	5.9%	14.2%	21.2%	4.6%	1.4%

Trading Multiples

	2007	2008	2009	2010	2011F	2012F	2013F
P/E	10.1	6.5	5.2	4.9	5.1	11.0	7.0
P/CE	7.9	5.0	4.3	4.1	4.0	6.9	5.1
P/BV	1.4	1.0	0.8	0.7	0.6	0.6	0.5
P/S	0.8	0.5	0.4	0.4	0.3	0.2	0.2
FCF/EV	-15.0%	-25.1%	13.8%	-10.5%	-36.4%	19.6%	11.1%
EV/EBITDA	10.0	7.0	5.4	6.0	10.7	9.4	6.9
Adjusted EBITDA **	10.0	7.0	5.4	6.0	9.7	8.3	5.9
EV/EBIT	12.6	8.4	6.3	7.0	13.2	11.9	8.3
EV/S	1.0	0.9	0.7	0.7	1.0	0.6	0.6
DYield	0.2%	0.0%	0.0%	1.8%	0.0%	2.0%	0.9%
Price (PLN)	76.9						
Shares at year-end (millions)	13.4	13.4	14.3	14.3	14.3	14.3	14.3
MC (PLN m)	1032.8	1032.8	1099.3	1099.3	1099.3	1099.3	1099.3
Equity att. to min. shareholders (PLN m)	34.6	103.7	228.2	226.3	656.9	679.6	729.8
EV (PLN m)	1 382.3	1 887.7	1 802.1	1 910.5	3 215.0	2 782.0	2 602.5

* This line includes capital expenditures of PBG, Strateg Capital (in 2011 it will have completed the construction of a stationary plant) and outlays on the property-development projects in the commercial segment; **adjustment for the difference in book and market value of minority interest.



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 Wrześniewski 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

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ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
HOLD – we expect that the rate of return from an investment will range from –5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
SELL – we expect that an investment will bear a loss greater than 15%
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Rating	Buy	Buy	Hold
Date issued	2011-05-20	2011-08-11	2012-01-23
Price on rating day	142.00	101.90	76.6
WIG on rating day	48747.55	37368.93	39518.87