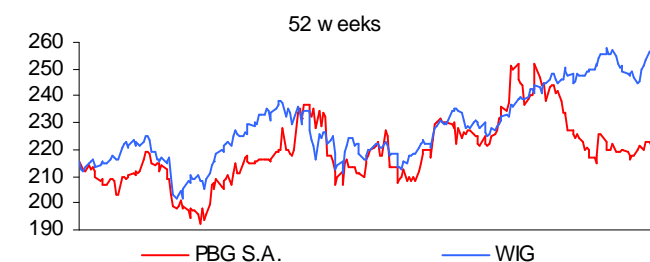


Company Report – Construction Services – Poland – December 10, 2010

PBG S.A. from Accumulate to Reduce

Piotr Lopaciuk, (Analyst) +48 22 330 62 52 piotr.lopaciuk@erstegroup.com

PLN mn	2009	2010e	2011e	2012e
Net sales	2,578.0	2,963.6	2,082.8	2,250.0
EBITDA	333.6	342.9	257.2	297.5
EBIT	286.5	288.8	201.9	237.2
Net result after min.	210.6	224.6	240.2	206.0
EPS (PLN)	15.19	15.71	16.80	14.41
CEPS (PLN)	16.54	15.88	22.20	16.65
BVPS (PLN)	97.61	112.76	133.42	142.78
Div./share (PLN)	1.40	3.14	5.04	14.41
EV/EBITDA (x)	11.3	11.7	12.1	10.7
P/E (x)	13.4	14.0	13.1	15.3
P/CE (x)	12.3	13.8	9.9	13.2
Dividend Yield	0.7%	1.4%	2.3%	6.6%



Performance	12M	6M	3M	1M
in PLN	1.9%	2.4%	-12.1%	-1.4%
in EUR	3.9%	4.7%	-14.6%	-4.2%

Share price (PLN)	219.90	Reuters	PBGG.WA	Free float	70.4%
Number of shares (mn)	14.3	Bloomberg	PBG PW	Shareholders	Jerzy Wisniewski (29.6%) Pioneer Pekao IM (15.59%)
Market capitalization (PLN mn / EUR mn)	3,143 / 776	Div. Ex-date			
Enterprise value (PLN mn / EUR mn)	4,027 / 994	Target price	205.0	Homepage:	www.pbg-sa.pl

Quo vadis PBG?

- With the gradual running out of extraordinarily profitable gas contracts and no advanced plans on the horizon to fill this gap, an investment in PBG seems to bear increasing risk. The sale of Hydrobudowa will shrink the business, but on the other hand will provide plenty of cash. For the good performance of PBG (which has usually been traded with a premium to other construction companies), this may not be enough. We therefore issue a Reduce recommendation with a target price of PLN 205. We are waiting to see whether PBG comes up with some dazzling new business ideas. In such a highly competitive environment, this might not be easy.
- The conditions under which PBG is to sell its Hydrobudowa and Aprivia subsidiaries are in our opinion attractive for PBG. We assume the finalization of the transactions at the end of February 2011 (and thus a boost of consolidated gross profit by PLN 74mn). The potential withdrawal of OHL from the purchase of these companies is a risk factor. Thanks to the transaction, PBG should improve its liquidity by roughly PLN 0.8bn.
- So far, PBG has not managed to present any advanced or convincing ideas concerning future development. We are a bit skeptical regarding the rapid development of the power engineering market in which PBG sees its future (yet without much experience or capacity in the segment). The other business ideas seem to be a bit vague and far off for now. The historical premium to the market and extraordinary level of margins seem to be endangered. The huge expected inflow of cash from the sale of subsidiaries may facilitate new business ideas and provide positive surprises. However, to remain on the safe side valuation-wise, we recommend staying away from the stock for now (especially due to the fact that, in the short term, it will be hard to record any growth, while the long term remains unknown).

Investment story

Good price offered for Hydrobudowa Polska

In 3Q, PBG revealed that it signed a preliminary deal for the sale of two subsidiaries, the listed Hydrobudowa Polska (environment & general construction) and Aprivia (road construction), to Spanish construction giant Obrascón Huarte Lain Construcción Internacional (OHL). If the Spaniards are happy with the results of the due diligence, the deal can be concluded at the end of February/beginning of March. OHL is ready to pay PLN 431mn for a 51% stake in Hydrobudowa (which is additionally burdened with net debt of about PLN 300mn). This implies PLN 4.01 per share – a significant premium to the current market price of PLN 3.2. Such a price implies quite high transaction ratios (P/E for 2010 at 17.2 and EV/EBIT for 2010 at 17.8). Hydrobudowa Polska lacks contracts in its core business (the environmental protection segment), a market segment that has deteriorated significantly, due to much stronger competition and rather flat volumes. The company had to fill its backlog with road construction and general construction contracts grabbed in a market of bottomed-out prices, so we expect no recovery soon. PBG would be left with a 12% stake in Hydrobudowa.

Not so dazzling road construction business

The sale of the 50.1% stake in Aprivia for PLN 75mn indicates that PBG has already acknowledged that the road construction business in Poland (based primarily on contracts signed during the weak market) is not easy money. PBG would be left with a 49.9% stake in Aprivia. Overall, we think that PBG is to get a very nice price for Hydrobudowa Polska and a rather disappointing price for Aprivia (taking into consideration the earlier bullish plans concerning the road division at PBG). However, since Hydrobudowa weighed significantly more in the whole transaction, the overall picture of the transaction is positive for PBG. Among the risks we would include the potential withdrawal of OHL from the deal.

How to fill gap

The two subsidiaries to be sold in 2010 should generate sales of about PLN 2bn and net profit of PLN 60mn. The question is how PBG can fill the gap afterwards. In terms of sales in 2011:

- Still almost one quarter of consolidation of subsidiaries would be recorded (PLN +200mn).
- PBG should record significantly higher sales in gas & oil segment, thanks to realization of LNG terminal contract (PLN +250mn).
- New power engineering contracts with KGHM (PLN +100mn).
- PBG will also retain parts of contracts realized by Hydrobudowa Polska and Aprivia in environmental protection, general and road construction segments and execute them via mother company and subsidiaries PBG Technologie and KWG; we expect this source to just inflate overall group sales at low margin level (PLN +450mn).
- We expect first sales to be recorded from quarries project (PLN +70mn).

In our scenario, we assume that the 2011 profit will be built almost solely on the gas segment, which in the next year should achieve record results. This would be thanks to the biggest sales recorded so far on the LMG contract and finalization of the Wierzchowice contract. The results should also be boosted thanks to the potential sale transaction, by PLN 74mn (before tax).

Cash injection & financial standing

Thanks to the transaction, PBG will take in PLN 506mn. The sale of the companies will also decrease the debt by about PLN 300mn (the net debt level of the sold subsidiaries). This will change the net debt of almost PLN 0.75bn into net cash (we assume PLN 0.2bn at the end of 2011). Additionally, due to past investments, PBG has accumulated real estate with a book value of PLN 0.34bn. Since our knowledge of PBG's real estate plans is limited, we calculate these assets at their book value (as non-operating assets in the DCF). After the transaction, PBG will retain a 12% stake in Hydrobudowa Polska (worth roughly over PLN 0.1bn). PBG has also granted a number of interest-bearing loans to several counterparties totaling PLN 0.38bn (excluding the Strateg quarry project). These loans are given for real estate projects, but also to subcontractors. We treat part of these loans as non-operating assets (PLN 0.28bn), while the rest we treat as working capital. The total for non-operating assets will amount to PLN 0.72bn.

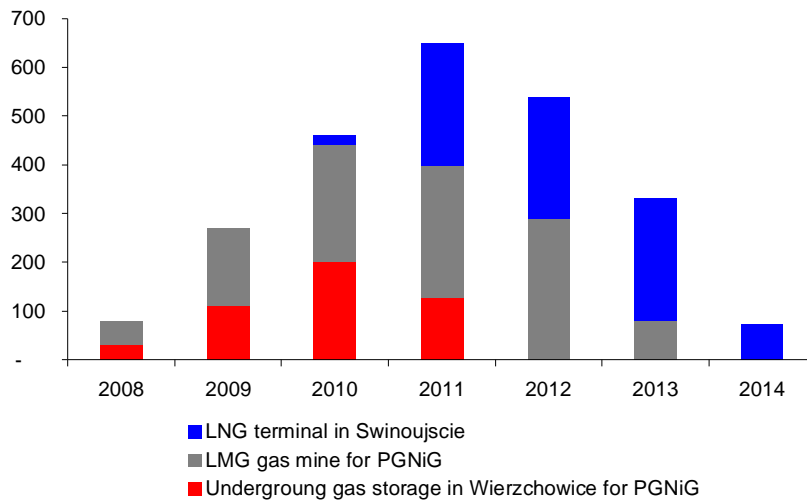
Harvest time for gas contracts, but what next?

Currently, PBG is enjoying the fruits of its two most profitable gas contracts, which were signed during a market featuring good prices. The gas construction segment has been additionally strengthened by the contract for an LNG terminal. However, this contract was won in the first

Company Report – PBG S.A.

part of 2010 – we expect a much lower margin from this business. The graph below illustrates our simulation of sales booked on these three contracts.

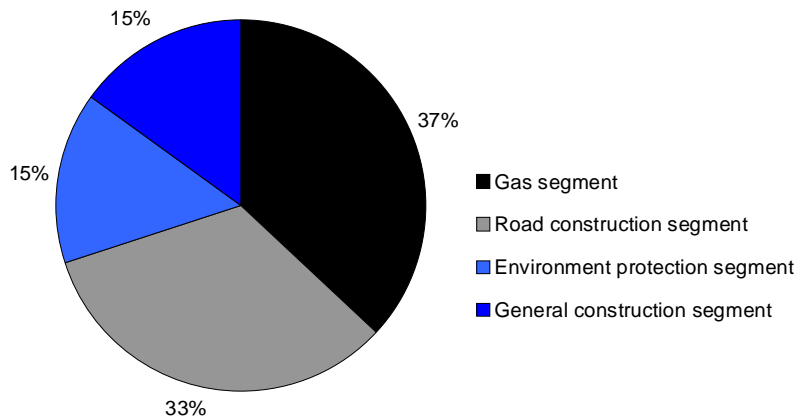
Execution of crucial contracts in the gas segment (PLN mn)



Source: Erste Group Research Estimates, PBG

As illustrated in the graph, 2011 will be the top year in terms of sales from the gas segment and it is also a year (so far) of record sales on the LMG contract and finalization of the Wierzchowice contract. After that, we expect a decrease of sales in the segment and a deterioration of margins. The total backlog of PBG for 2011 and beyond amounts to PLN 5bn. The structure of the backlog is illustrated on the graph below.

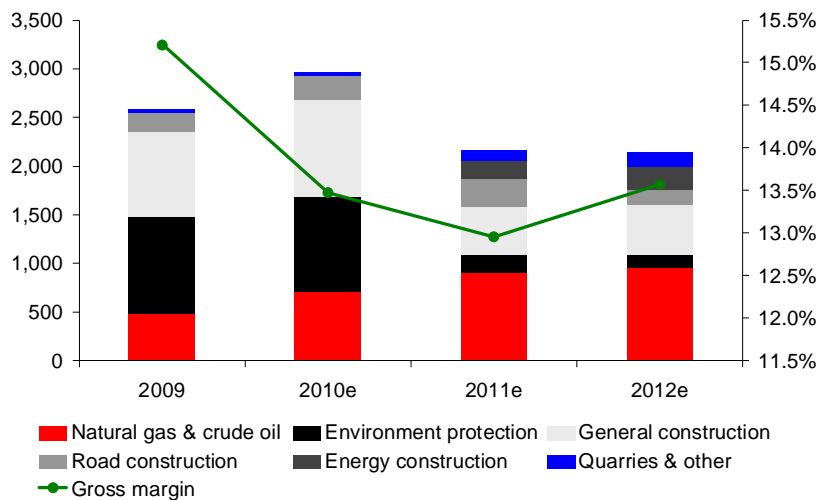
Expected order backlog segmentation (end of 2010)



Source: Erste Group Research Estimates, PBG

Most of the contracts are focused outside of the gas segment (the core business of the mother company) and were executed mainly by Hydrobudowa Polska. We think however that significant chunks of these contracts will be taken over by the mother company and other subsidiaries – to fill the sales gap, but at the cost of margins. Our assumptions of sales and margins based on the current backlog are illustrated in the graph below.

Expected sales & margin (PLN mn)



Source: Erste Group Research Estimates, PBG

Plans for future

Since there are no huge gas contracts on the horizon, PBG will have to search for new business niches. Among the drivers of such transitions, we see the very strong financial position of PBG after the sale of Hydrobudowa Polska. The threats include the very competitive environment and extreme profitability of the gas construction niche on which PBG has focused so far and which will be very hard to match with any other business. Below, we list the ideas that PBG has presented so far for future development of the business.

Power engineering segment

PBG strongly emphasized its intention to heavily engage in the power engineering segment in Poland. This was confirmed by its grabbing its first two contracts with KGHM for a total of over PLN 0.1bn. However, we are a bit skeptical concerning potential successes in this field. Due to the uncertainty concerning CO2 regulations and the typical delays characterizing this segment in Poland, the supply of contracts is still very poor and the number of companies claiming to focus on the segment is quite impressive. We expect that the first contract for the 2 block in Opole (PLN 9bn) can be signed in mid-2011. It may happen that this is the only major contract signed next year. The tenders for new blocks in Jaworzno, Stalowa Wola and Kozienice (executed by Tauron and Enea for a total estimated value of PLN 12bn) have a chance to be finalized at the end of 2011, but the number of bidders (9-12) indicates that the whole process may again be delayed. The new blocks in Siekierki and Rybnik (Vattenfall and EDF) are uncertain, due to the lack of decisions concerning financing. We do not expect the other tenders to be resolved in 2011. Taking into consideration that, after winning the contract, the first step is design work, it may turn out that, until 2012, the influence of this segment on the results of Polish companies will be marginal.

The second problem is the question of competences. The big power engineering projects can likely be realized successfully only by big foreign players (Alstom, Hitachi, Doosan). We think that the safest (and likely most profitable) place for Polish construction companies in the upcoming boom is in the role of subcontractors.

This results in the third problem – PBG’s lack of capacities in the segment. This may be resolved by the potential acquisitions. The cooperation with Energomontaz Poludnie is going badly and PBG (which holds 25% in the company) cannot reach agreement with the other major shareholder (the Gasinowicz family, owning 27%). It seems that PBG may try to withdraw from this investment. The company has two other potential acquisition targets with total sales of almost PLN 0.3bn. The potential acquisition could be completed by mid-2011, but this remains uncertain. We also expect that the market for subcontractors in the segment will remain weak in 2011 and 2012.

Cooperation with OHL

PBG has announced that the transaction for the sale of Hydrobudowa Polska will mean the start of cooperation with Spanish giant OHL. PBG wants to learn from OHL the concessions business – PBG long ago stated its ambition to enter this segment. It has been revealed that PBG could participate in a EUR 800mn motorway project in Eastern Europe and a Polish project for

Company Report – PBG S.A.

sanitation systems. Such businesses are CAPEX-intensive and although PBG would significantly improve its financial standing, we wonder if the financing by the Polish group would be sufficient for the large scale of such projects and if PBG would really be willing to risk a significant entrance into the new segment. Since there is insufficient detail known concerning the concessions business and the plans do not seem to be advanced, we do not take this into consideration in our model.

Activity on foreign markets

PBG recently signaled that it sees significant chances in fighting for stadium contracts in Qatar (organizer of the football World Cup in 2022). Currently, a delegation from PBG is visiting this country. We are skeptical about this news. PBG has little experience with foreign contracts, especially in such an exotic (from the domestic business point of view) country. It is easy to imagine that the competition in this field will be huge. Additionally, the event itself is very far off, while - judging by Polish experiences with stadium construction - the whole investment process should be completed in about three years' time.

Quarry project

In our forecast, we have taken into consideration the quarry projects of PBG (which will be fully consolidated starting from 2011). The business is focused on extraction of resources for the infrastructure construction segment (basalt, granite). The remaining CAPEX to be invested by PBG in the project amounts to about PLN 0.2bn. The full realization should allow EBITDA from the segment to reach PLN 60mn in 2014 (sales of PLN 250mn). First sales from the project will be recorded already in 2011 (PLN 70mn). We take this project into consideration in our model, although earlier PBG presented the project as if it would be for sale and the firm only recently decided to realize it on its own (which spoils the whole picture a bit).

Valuation

We employed a DCF valuation tool to estimate the fair value of the company. The DCF is based on our forecasts for 2011-2014e. We used a discounted rate based on WACC and a terminal value based on perpetuity. The DCF led us to a fair value of PLN 205 per share, which we think accurately reflects the value of the company. The peer comparison shows that PBG is trading in line with the market for the years 2010 and 2011 looking at the P/E ratio. This is due to the two factors: 1) PBG is currently gathering crops from the completion of big gas contracts and 2) in 2011 we expect PBG to record a one-off profit of PLN 74mn from the sale of its subsidiary. PBG is trading with significant premium when looking at the P/E ratio for 2012 and EV/EBIT ratios. Taking all this into consideration, we have decided to downgrade our recommendation from Accumulate to Reduce.

Assumptions

Our estimates are based on the following assumptions:

- The sale of Hydrobudowa Polska to take place at the beginning of March 2011.
- No acquisitions are assumed.
- No increase of the stake in Energomontaz Poludnie.
- Full realization of the quarry project.
- We value the real estate in PBG group at their book value.
- We value the remaining 12% stake at the current market price and do not assume an increase of the stake in the company.
- Risk-free rate at 6.0% (and 5.0% in perpetuity), equity premium at 6% (and 5.7% in perpetuity), debt premium at 2.5% and beta at 1.0.
- Terminal growth rate at 1.5%.

Company Report – PBG S.A.

Valuation comparison

	P/E			EV/EBIT			P/BV
	2010e	2011e	2012e	2010e	2011e	2012e	2010e
Budimex	11.1	13.4	13.9	6.3	8.1	8.6	3.9
Eiffage SA	13.4	11.4	9.5	16.5	15.3	13.3	1.1
Erbud SA	14.0	14.3	11.2	10.2	9.6	7.6	2.5
Hochtief AG	19.7	16.2	13.8	8.3	7.0	5.9	1.8
STRABAG	13.2	13.5	13.1	7.8	7.9	8.0	0.7
Trakcja Polska	16.7	13.7	10.6	11.2	7.5	4.9	1.7
Mostostal Wars	13.9	15.8	12.2	9.3	10.5	7.6	2.2
Rafako	19.6	18.0	17.6	11.5	8.8	7.3	2.2
Polimex	16.7	12.1	10.0	10.9	8.8	7.4	1.4
Skanska AB	15.4	16.1	14.4	10.0	10.3	9.3	2.7
Vinci SA	12.5	11.9	11.2	10.9	10.2	9.5	2.0
Median total	14.0	13.7	12.2	10.2	8.8	7.6	2.0
PBG S.A.	14.0	13.1	15.3	10.7	15.3	13.0	1.7
<i>Premium/disco.</i>	<i>0%</i>	<i>-4%</i>	<i>25%</i>	<i>5%</i>	<i>73%</i>	<i>71%</i>	<i>-13%</i>

Source: Factset, Erste Group Research estimations

Company Report – PBG S.A.

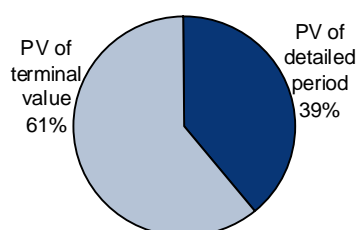
WACC calculation

	2010e	2011e	2012e	2013e	2014e	2015e (TV)
Risk free rate	6.0%	6.0%	6.0%	6.0%	6.0%	5.0%
Equity risk premium	6.0%	6.0%	6.0%	6.0%	6.0%	5.7%
Beta	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	12.0%	12.0%	12.0%	12.0%	12.0%	10.7%
Cost of debt	8.5%	8.5%	8.5%	8.5%	8.5%	7.5%
Effective tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
After-tax cost of debt	6.9%	6.9%	6.9%	6.9%	6.9%	6.1%
Equity weight	59%	75%	78%	77%	77%	70.0%
WACC	9.9%	10.7%	10.9%	10.8%	10.8%	9.3%

DCF valuation

(PLN mn)	2010e	2011e	2012e	2013e	2014e	2015e (TV)
<i>Sales growth</i>	15.0%	-29.7%	8.0%	6.7%	4.2%	1.5%
EBIT	288.8	201.9	237.2	231.2	239.2	242.8
<i>EBIT margin</i>	9.7%	9.7%	10.5%	9.6%	9.6%	9.6%
<i>Tax rate</i>	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Taxes on EBIT	-54.9	-38.4	-45.1	-43.9	-45.5	-46.1
NOPLAT	233.9	163.5	192.1	187.3	193.8	196.7
+ Depreciation	54.1	55.3	60.3	69.9	74.8	74.8
<i>Capital expenditures / Depreciation</i>	188.4%	-913.1%	307.0%	64.4%	100.0%	100.0%
+/- Change in working capital	-82.6	87.5	-48.5	-27.9	-23.7	-11.2
<i>Chg. working capital / chg. Sales</i>	-21.4%	-9.9%	-29.0%	-18.6%	-23.6%	-30.0%
- Capital expenditures	-102.0	505.0	-185.0	-45.0	-74.8	-74.8
Free cash flow to the firm	103.49	811.34	18.93	184.28	170.10	185.44
<i>Terminal value growth</i>						1.5%
Terminal value						2,409.2
Discounted free cash flow - Dec 31 2010	0.0	732.7	15.4	135.4	112.8	1,573.9
Enterprise value - Dec 31 2010	2,570.2					
Minorities	0.0					
Non-operating assets	716.0					
Net debt	654.9					
Other adjustments	0.0					
Equity value - Dec 31 2010	2,631.2					
Number of shares outstanding (mn)	14.3					
Cost of equity	12.0%					
12M target price per share (PLN)	205					
Current share price (PLN)	219.9					
<i>Up/Downside</i>	-6.9%					

Enterprise value breakdown



Source: Factset, Erste Group Research

Sensitivity (per share)

		Terminal value EBIT margin				
		8.6%	9.1%	9.6%	10.1%	10.6%
WACC	8.3%	207	215	223	231	238
	8.8%	199	206	213	220	228
	9.3%	191	198	205	212	218
	9.8%	185	191	197	204	210
	10.3%	179	185	191	197	203
		Terminal value growth				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	8.3%	205	213	223	234	247
	8.8%	197	205	213	223	234
	9.3%	191	197	205	213	223
	9.8%	185	191	197	205	213
	10.3%	180	185	191	197	205

Company Report – PBG S.A.

Income Statement	2007	2008	2009	2010e	2011e	2012e
(IAS, PLN mn, 31/12)	31/12/2007	31/12/2008	31/12/2009	31/12/2010	31/12/2011	31/12/2012
Net sales	1,376.75	2,089.33	2,577.98	2,963.60	2,082.77	2,250.00
Cost of goods sold	-1,191.73	-1,751.22	-2,185.86	-2,564.27	-1,812.86	-1,944.60
Gross profit	185.02	338.11	392.12	399.33	269.91	305.40
SG&A	-79.97	-106.85	-109.76	-107.57	-65.95	-65.95
Other operating revenues	4.33	-7.85	4.14	-2.96	-2.08	-2.25
Other operating expenses	0.00	0.00	0.00	0.00	0.00	0.00
EBITDA	139.64	270.26	333.62	342.93	257.19	297.47
Depreciation/amortization	-30.26	-46.84	-47.12	-54.13	-55.31	-60.27
EBIT	109.38	223.42	286.50	288.80	201.88	237.20
Financial result	34.74	-9.88	-23.87	-15.45	94.65	17.09
Extraordinary result	0.00	0.00	0.00	0.00	0.00	0.00
EBT	144.12	213.53	262.63	273.34	296.53	254.30
Income taxes	-26.70	-25.79	-40.59	-46.47	-56.34	-48.32
Result from discontinued operations	0.00	0.00	0.00	0.00	0.00	0.00
Minorities and cost of hybrid capital	-15.37	-29.70	-11.42	-2.27	0.00	0.00
Net result after minorities	102.05	158.04	210.63	224.61	240.19	205.98
Balance Sheet	2007	2008	2009	2010e	2011e	2012e
(IAS, PLN mn, 31/12)						
Intangible assets	262.38	347.65	351.98	357.65	315.97	313.91
Tangible assets	333.03	411.53	368.26	412.83	294.19	420.99
Financial assets	108.77	150.14	291.29	308.25	306.29	306.66
Total fixed assets	704.19	909.32	1,011.53	1,078.72	916.46	1,041.56
Inventories	35.27	69.27	233.69	268.21	230.64	237.23
Receivables and other current assets	1,074.78	1,502.92	2,185.15	2,427.72	1,662.90	1,765.90
Other assets	14.30	21.09	24.17	27.86	8.70	30.79
Cash and cash equivalents	467.84	354.37	553.80	444.54	881.58	752.34
Total current assets	1,592.20	1,947.64	2,996.82	3,168.33	2,783.82	2,786.26
TOTAL ASSETS	2,296.38	2,856.96	4,008.35	4,247.05	3,700.28	3,827.82
Shareholders'equity	756.86	1,010.88	1,395.31	1,611.90	1,907.17	2,041.09
Minorities	34.45	103.69	228.18	228.18	228.18	228.18
Hybrid capital and other reserves	0.00	0.00	0.00	0.00	0.00	0.00
Pension and other LT personnel accruals	0.00	0.00	0.00	0.00	0.00	0.00
LT provisions	136.03	91.36	66.03	18.05	20.75	14.58
Interest-bearing LT debts	259.36	323.08	493.61	475.22	270.07	243.13
Other LT liabilities	20.93	17.02	40.11	40.11	40.11	40.11
Total long-term liabilities	280.29	340.11	533.72	515.33	310.18	283.24
Interest-bearing ST debts	465.90	717.84	701.07	624.24	354.76	319.37
Other ST liabilities	622.85	593.09	1,084.04	1,249.35	879.24	941.36
Total short-term liabilities	1,080.11	1,294.17	1,774.33	1,856.01	1,221.64	1,247.38
TOTAL LIAB. , EQUITY	2,296.38	2,856.96	4,008.35	4,247.05	3,700.28	3,827.82
Cash Flow Statement	2007	2008	2009	2010e	2011e	2012e
(IAS, PLN mn, 31/12)						
Cash flow from operating activities	-38.00	-253.05	292.00	186.10	353.35	234.67
Cash flow from investing activities	-154.27	-186.65	-124.00	-102.00	545.00	-185.00
Cash flow from financing activities	594.95	326.22	31.43	-193.36	-461.31	-178.91
CHANGE IN CASH , CASH EQU.	402.68	-113.48	199.44	-109.26	437.04	-129.24
Margins & Ratios	2007	2008	2009	2010e	2011e	2012e
Sales growth	104.1%	51.8%	23.4%	15.0%	-29.7%	8.0%
EBITDA margin	10.1%	12.9%	12.9%	11.6%	12.3%	13.2%
EBIT margin	7.9%	10.7%	11.1%	9.7%	9.7%	10.5%
Net profit margin	8.5%	9.0%	8.6%	7.7%	11.5%	9.2%
ROE	18.1%	17.9%	17.5%	14.9%	13.7%	10.4%
ROCE	9.2%	12.6%	11.3%	9.7%	7.3%	9.4%
Equity ratio	34.5%	39.0%	40.5%	43.3%	57.7%	59.3%
Net debt	257.4	686.5	640.9	654.9	-256.7	-189.8
Working capital	497.8	632.4	1,198.3	1,284.5	1,553.5	1,508.1
Capital employed	1,205.7	1,909.5	2,370.5	2,553.2	1,939.5	2,134.1
Inventory turnover	46.8	33.5	14.4	10.2	7.3	8.3

Source: Company data, Erste Group estimates

Contacts

Group Research

Head of Group Research

Friedrich Mostböck, CEFA +43 (0)5 0100 - 11902

CEE Equity Research

Co-Head: Günther Artner, CFA +43 (0)5 0100 - 11523

Co-Head: Henning Eßkuchen +43 (0)5 0100 - 19634

Günter Hohberger (Banks) +43 (0)5 0100 - 17354

Franz Hörl, CFA (Steel, Construction) +43 (0)5 0100 - 18506

Gernot Jany, CFA (Banks, Real Estate) +43 (0)5 0100 - 11903

Daniel Lion, CIIA (IT) +43 (0)5 0100 - 17420

Christoph Schultes, CIIA (Insurance, Utility) +43 (0)5 0100 - 16314

Thomas Unger, CFA (Oil&Gas) +43 (0)5 0100 - 17344

Vera Sutedia, CFA (Telecom) +43 (0)5 0100 - 11905

Vladimira Urbankova, MBA (Pharma) +43 (0)5 0100 - 17343

Gerald Walek, CFA (Machinery) +43 (0)5 0100 - 16360

International Equities

Hans Engel (Market strategist) +43 (0)5 0100 - 19835

Stephan Lingnau (Europe) +43 (0)5 0100 - 16574

Ronald Stöferle (Asia) +43 (0)5 0100 - 11723

Macro/Fixed Income Research

Head: Gudrun Egger, CEFA (Euroland) +43 (0)5 0100 - 11909

Mildred Hager (SW, JP, Euroland) +43 (0)5 0100 - 17331

Alihan Karadagoglu (Corporates) +43 (0)5 0100 - 19633

Peter Kaufmann (Corporates) +43 (0)5 0100 - 11183

Carmen Riefler-Kowarsch (Corporates) +43 (0)5 0100 - 19632

Rainer Singer (US) +43 (0)5 0100 - 11185

Elena Statelov, CIIA (Corporates) +43 (0)5 0100 - 19641

Macro/Fixed Income Research CEE

Co-Head CEE: Juraj Kotian (Macro/FI) +43 (0)5 0100 - 17357

Co-Head CEE: Rainer Singer (Macro/FI) +43 (0)5 0100 - 11185

Editor Research CEE

Brett Aarons +420 233 005 904

Research Croatia/Serbia

Head: Mladen Dodig +381 11 22 09 178

Alen Kovac (Fixed income) +385 62 37 1383

Anela Tomic (Fixed income) +385 62 37 2295

Davor Spoljar (Equity) +385 62 37 2825

Research Czech Republic

Head: David Navratil (Fixed income) +420 224 995 439

Petr Bittner (Fixed income) +420 224 995 172

Petr Bartek (Equity) +420 224 995 227

Vaclav Kminek (Media) +420 224 995 289

Jana Krajcova (Fixed income) +420 224 995 232

Martin Krajhanzl (Equity) +420 224 995 434

Radim Kramule (Oil&Gas) +420 224 995 213

Martin Lobotka (Fixed income) +420 224 995 192

Lubos Mokras (Fixed income) +420 224 995 456

Research Hungary

Head: József Miró (Equity) +361 235-5131

Bernadett Papp (Equity) +361 235-5135

Gergely Gabler (Equity) +361 253-5133

Zoltan Arokszállasi (Fixed income) +361 373-2830

Research Poland

Head: Artur Iwanski, CFA (Equity) +48 22 330 6253

Magda Zabieglik (Equity) +48 22 330 6250

Tomasz Kasowicz (Equity) +48 22 330 6251

Piotr Lopaciuk (Equity) +48 22 330 6252

Marek Czachor (Equity) +48 22 330 6254

Bianka Madej (Equity) +48 22 330 6260

Research Romania

Head: Lucian Claudiu Anghel +40 21 312 6773

Mihai Caruntu (Equity) +40 21 311 27 54

Dorina Cobiscan (Fixed Income) +4021 3126773 / 1028

Dumitru Dulgheru (Fixed income) +40 21 312 6773 1028

Eugen Sinca (Fixed income) +40 21312 6773 1028

Raluca Ungureanu (Equity) +40 21311 2754

Research Slovakia

Head: Juraj Barta, CFA (Fixed income) +421 2 4862 4166

Michal Musak (Fixed income) +421 2 4862 4512

Maria Valachyova (Fixed income) +421 2 4862 4185

Research Ukraine

Head: Maryan Zablotsky (Fixed income) +38 044 593 - 9188

Victor Stefanyshyn (Equity) +38 044 593 - 1784

Ivan Ulitko (Equity) +38 044 593 - 0003

Research Turkey

Head: Erkin Sahinoz (Fixed Income) +90 212 371 2540

Ali Cakiroglu (Fixed Income) +90 212 371 2536

Sadrettin Bagci (Equity) +90 212 371 2537

Can Oztoprak (Equity) +90 212 371 2539

Duygu Kalfaoglu (Equity) +90 212 371 2534

Group Institutional & Retail Sales

Institutional Equity Sales Vienna

Head: Brigitte Zeitlberger-Schmid +43 (0)5 0100 - 83123

Cash Equity Sales

Dieter Benesch +43 (0)5 0100 - 83131

Hind Al Jassani +43 (0)5 0100 - 83111

Werner Fuerst +43 (0)5 0100 - 83121

Josef Kerekes +43 (0)5 0100 - 83125

Cormac Lyden +43 (0)5 0100 - 83127

Stefan Raidl +43 (0)5 0100 - 83113

Simone Rentschler +43 (0)5 0100 - 83124

Derivative Sales

Christian Luig +43 (0)5 0100 - 83181

Manuel Kessler +43 (0)5 0100 - 83182

Sabine Kircher +43 (0)5 0100 - 83161

Christian Klukovich +43 (0)5 0100 - 83162

Armin Pflingstl +43 (0)5 0100 - 83171

Roman Rafeiner +43 (0)5 0100 - 83172

Institutional Equity Sales London

Head: Michal Rizek +44 20 7623 - 4154

Jiri Feres +44 20 7623 - 4154

Neil Owen +44 20 7623 - 4154

Declan Wooloughan +44 20 7623 - 4154

Institutional Equity Sales Croatia

Damir Eror (Equity) +38 562 37 28 13

Zeljka Kajkut (Equity) +38 562 37 28 11

Institutional Sales Czech Republic

Michal Brezna (Equity) +420 224 995-523

Ondrej Cech (Fixed income) +420 224 995-577

Michal Rizek +420 224 995-53

Jiri Smehlik (Equity) +420 224 995-510

Pavel Zdichynec (Fixed income) +420 224 995-590

Institutional Sales Hungary

Gregor Glatzer (Equity) +361 235-5144

Krisztián Kandik (Equity) +361 235-5140

Norbert Siklosi (Fixed income) +361 235-5842

Institutional Equity Sales Poland

Head: Andrzej Tabor +4822 330 62 03

Pawel Czuprynski (Equity) +4822 330 62 12

Lukasz Mitan (Equity) +4822 330 62 13

Jacek Kryszinski (Equity) +4822 330 62 18

Institutional Equity Sales Slovakia

Head: Dusan Svitek +48 62 56 20

Andrea Slesarova (Client sales) +48 62 56 27

Saving Banks & Sales Retail

Head: Thomas Schaufler +43 (0)5 0100 - 84225

Equity Retail Sales

Head: Kurt Gerhold +43 (0)5 0100 - 84232

Fixed Income & Certificate Sales

Head: Thomas Schaufler +43 (0)5 0100 - 84225

Treasury Domestic Sales

Head: Markus Kaller +43 (0)5 0100 - 84239

Corporate Sales AT

Head: Christian Skopek +43 (0)5 0100 - 84146

Mag. Martina Kranzl +43 (0)5 0100 - 84147

Karin Rattay +43 (0)5 0100 - 84112

Mag. Markus Pistracher +43 (0)5 0100 - 84152

Günther Gneiss +43 (0)5 0100 - 84145

Jürgen Flassak, MA +43 (0)5 0100 - 84141

Antonius Burger-Scheidlin, MBA +43 (0)5 0100 - 84624

Fixed Income Institutional Desk +43 (0)5 0100 - 84323

Head G7: Thomas Almen +43 (0)5 0100 - 84323

Head Germany: Ingo Lusch +43 (0)5 0100 - 84111

Fixed Income International & High End Sales Vienna

Jaromir Malak/ Zach Carvell +43 (0)5 100 - 84254

U. Inhofner/ P. Zagan/ C. Mitu +43 (0)5 100 - 84254

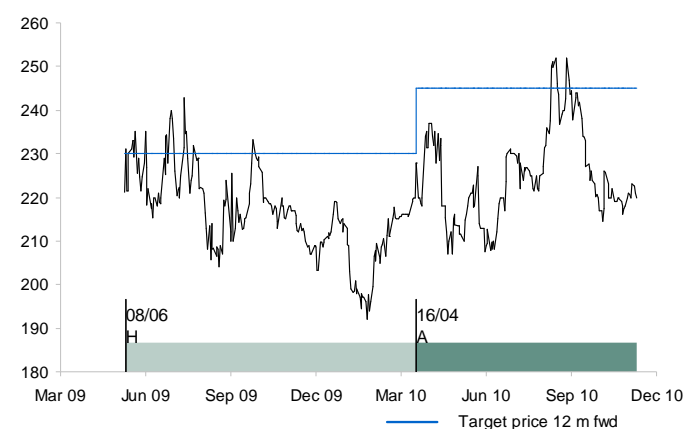
Fixed Income International Sales London

Antony Brown +44 20 7623 4159

Company Report – PBG S.A.

PBG S.A.

Rating history



Date	Rating	Price	Target Price
16. Apr 10	Accumulate	228.00	245.00
18. Mar 09	Hold	202.00	230.00
29. Aug 08	Buy	238.00	305.00
14. Aug 07	Accumulate	358.00	380.00
25. Jan 07	Hold	291.50	295.00
22. Jun 06	Buy	133.71	175.00

Company

Disclosure

PBG S.A.

Important Disclosures

General disclosures: All recommendations given by Erste Group Research are independent and based on the latest company, industry and general information publicly available. The best possible care and integrity is used to avoid errors and/or misstatements. No influence on the rating and/or target price is being exerted by either the covered company or other internal Erste Group departments. Each research piece is reviewed by a senior research executive, the rating is agreed upon with an internal rating committee of senior research executives. Erste Group Compliance Rules state that no analyst is allowed to hold a direct ownership position in securities issued by the covered company or derivatives thereof. Analysts are not allowed to involve themselves in any paid activities with the covered companies except as disclosed otherwise. The analyst's compensation is primarily based not on investment banking fees received, but rather on performance and quality of research produced.

Specific disclosures:

- (1) Erste Group and/or its affiliates hold(s) an investment in any class of common equity of the covered company of more than 5%.
- (2) Erste Group and/or its affiliates act(s) as market maker or liquidity provider for securities issued by the covered company.
- (3) Within the past year, Erste Group and/or its affiliates have managed or co-managed a public offering for the covered company.
- (4) Erste Group and/or its affiliates have an agreement with the covered company relating to the provision of investment banking services or have received compensation during the past 12 months.
- (5) Erste Group and/or its affiliate(s) have other significant financial interests in relation to the covered company.

Erste Group rating definitions

Buy	> +20% to target price
Accumulate	+10% < target price < +20%
Hold	0% < target price < +10%
Reduce	-10% < target price < 0%
Sell	< -10% to target price

Our target prices are established by determining the fair value of stocks, taking into account additional fundamental factors and news of relevance for the stock price (such as M&A activities, major forthcoming share deals, positive/negative share/sector sentiment, news) and refer to 12 months from now. All recommendations are to be understood relative to our current fundamental valuation of the stock. The recommendation does not indicate any relative performance of the stock vs. a regional or sector benchmark.

Distribution of ratings

Recommendation	Coverage universe		Inv. banking-relationship	
	No.	in %	No.	in %
Buy	40	25.3	9	60.0
Accumulate	43	27.2	4	26.7
Hold	47	29.7	1	6.7
Reduce	10	6.3	1	6.7
Sell	9	5.7	0	0.0
N.R./UND.REV./RESTR.	9	5.7	0	0.0
Total	158	100.0	15	100.0

Published by Erste Group Bank AG, Neutorgasse 17, 1010 Vienna, Austria.

Phone +43 (0)5 0100 - ext.

Erste Group Homepage: www.erstegroup.com On Bloomberg please type: ERBK <GO>.

This research report was prepared by Erste Group Bank AG ("Erste Group") or its affiliate named herein. The individual(s) involved in the preparation of the report were at the relevant time employed in Erste Group or any of its affiliates. The report was prepared for Erste Group clients. The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable, but we do not represent that it is accurate or complete and it should not be relied upon as such. All opinions, forecasts and estimates herein reflect our judgment on the date of this report and are subject to change without notice. The report is not intended to be an offer, or the solicitation of any offer, to buy or sell the securities referred to herein. From time to time, Erste Group or its affiliates or the principals or employees of Erste Group or its affiliates 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. Erste Group or its affiliates or the principals or employees of Erste Group or its affiliates may from time to time provide investment banking or consulting services to or serve as a director of a company being reported on herein. Further information on the securities referred to herein may be obtained from Erste Group upon request. Past performance is not necessarily indicative for future results and transactions in securities, options or futures can be considered risky. Not all transactions are suitable for every investor. Investors should consult their advisor, to make sure that the planned investment fits into their needs and preferences and that the involved risks are fully understood. This document may not be reproduced, distributed or published without the prior consent of Erste Group. Erste Group Bank AG confirms that it has approved any investment advertisements contained in this material. Erste Group Bank AG is regulated by the Financial Market Authority (FMA) Otto-Wagner-Platz 5, 1090 Vienna, and for the conduct of investment business in the UK by the Financial Services Authority (FSA).

Notice to Turkish Investors: As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided in accordance with a contract of engagement on investment advisory concluded between brokerage houses, portfolio management companies, non-deposit banks and clients. Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.