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PBG

Sector: Construction
Fundamental rating: Hold (-)
Market relative: Neutral (-)
Price: PLN 148.1
12M EFV: PLN 152.9 (-)

Market Cap.: US\$ 745 m
Reuters code: PBGG.WA
Av. daily turnover: US\$ 2.56 m
Free float: 74%
12M range: PLN 134.70-252.00

Investment story

PBG seems to understand the need for a shift from low-margin infrastructural and general construction to gas, energy and environmental protection. In our view, through judicious acquisitions of Energomontaż-Południe and (still to-be-completed) Rafako, the Company managed to create a strong power construction group. However, the repositioning was not a full success – divesting road-oriented Hydrobudowa (HBP) and Aprivia to OHL ended in failure. Therefore, we think that good prospects in high-margin power construction and gas, oil & fuels will be partially brought down by low-margin road construction. Additionally, PBG plans to put more pressure on the housing/commercial developing sector which, in our view, is a risky idea as this is a difficult business and the Company has little experience in this area. Another problem may be the co-operation with OHL, which, in our opinion, may be undermined, following the unsuccessful disposal of Hydrobudowa & Aprivia. All in all, we think that the recent track record is mixed, but the Company is distinguishing itself positively from its industry peers.

Drivers

▲ Potential in power construction

PBG has recently acquired Energomontaż-Południe (EPD) and is about to complete the acquisition of Rafako (we expect the deal to be successfully concluded). We consider both targets to be well-suited to PBG's concept involving setting up a strong power construction leg. Rafako provides the group with project management knowledge and extensive expertise in power engineering, whereas Energomontaż-Południe is well positioned in specialised assembly work. Taking into account HBP's and PBG's own capacities in general construction work, the whole group shows potential to construct a full power unit (excluding turbine and generator), which means that approx. 70% of the contract can be realised within the PBG Group. We think that, in contrast to e.g. Polimex, Rafako's expertise offers better prospects in terms of margins, exceeding those achieved in general construction. Additionally, EPD and Rafako make huge chunk of their revenues abroad which will provide the PBG Group with some geographical diversification.

Strategically, the takeover of Rafako may also be beneficial because it could thwart competition's plans – we think that in the future Rafako will not cooperate with other construction companies like Polimex or Mostostal-Warszawa (besides

Guide to adjusted profits

No factors necessitating adjustments.

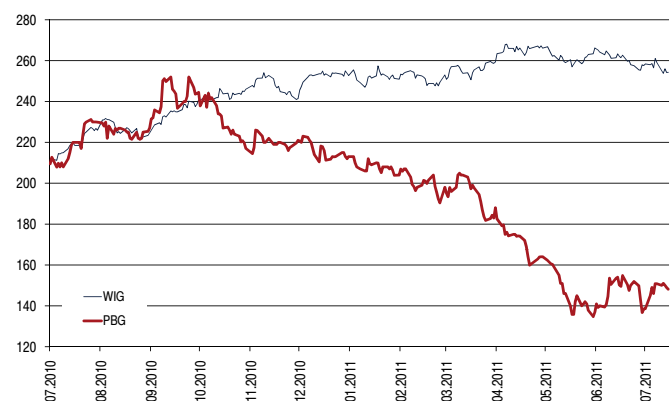
Key data

IFRS consolidated		2010	2011E	2012E	2013E
Sales	PLN m	2,740.3	3,620.2	4,936.6	4,848.7
EBITDA	PLN m	319.4	363.0	399.7	401.2
EBIT	PLN m	272.7	309.8	324.5	323.3
Net profit	PLN m	224.3	189.2	152.7	138.1
EPS	PLN	15.69	13.23	10.68	9.66
EPS yoy chng	%	6	-16	-19	-10
Net debt	PLN m	585.0	891.2	1,278.3	1,168.9
P/E	x	9.4	11.2	13.9	15.3
P/CE	x	7.8	8.9	13.0	14.8
EV/EBITDA	x	8.5	9.0	10.2	10.1
EV/EBIT	x	9.9	10.3	12.3	12.2
Gross dividend yield	%	0.9	1.0	0.8	0.4
No. of shares (eop)	m	14.3	14.3	14.3	14.3

EV/EBITDA and EV/EBIT multiples based on proportionally-consolidated EBITDA and net debt of not wholly-owned subsidiaries.

Source: Company, DM IDMSA estimates

Stock performance



Source: Bloomberg

Upcoming events

1. Release of 1H11 financial results: August 31, 2011
2. Release of 3Q11 financial results: November 14, 2011
3. Completion of the takeover of Rafako: 4Q11

Catalysts

1. Winning contracts in power construction
2. International expansion through co-operation with OHL
3. Divesting HBP and Aprivia to OHL
4. Winning huge gas contracts

Risk factors

1. Fierce competition in roads and railroads
2. Declining market for road construction
3. Forfeits on implemented contracts
4. Fruitless co-operation with OHL
5. Unsuccessful international expansion
6. Unsuccessful leap into real estate

the Opole tender that, in our opinion, is in its mature phase which makes withdrawal very complicated), which may be advantageous for PBG.

As far as the cost of both acquisition deals is concerned, we consider EPD's purchase price to be a bargain (9% below our 12M EFV target price which does not account for control premium) and Rafako's purchase price to be fair (broadly in line with our valuation). On the other hand, it should be noted that the acquisitions will most probably result in increased debt levels – we expect eop 2012 net debt/EBITDA ratio to increase to 3.2x (from 1.8x at the end of 2010). In our view, that implies higher risk.

▲ OHL pitfall

As a matter of fact, we were very positive about Hydrobudowa and Aprivia disposal given that this would result in shifting away from low-margin road construction and focusing on high-margin segments like gas & oil, power engineering and hydro-engineering. However, the deal fell through because HBP's share market price had plunged far below the price set in the negotiations and OHL was unwilling to post the transaction-related write-offs in its balance sheet. On the other hand, PBG did not accept the proposal involving the current share market price of HBP and being paid extra in the event that the share market price increases. We do not believe the Company's claims to the effect that the talks might be resumed – that would require HBP's price to return to the value around PLN 3.5 which we deem to be highly improbable. However, if the management really believes in this scenario, it may try to transfer some profits to HBP, which, taken into account minorities, would be detrimental to PBG's shareholder value.

▲ Unimpressive backlog quality, resulting from Hydrobudowa and Aprivia depressing the margins

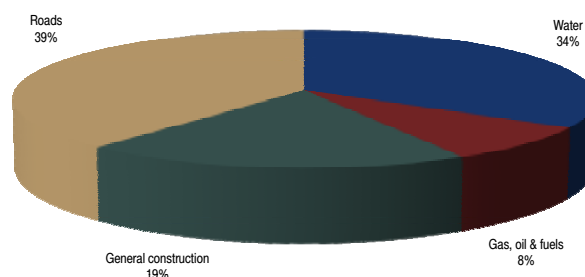
The Company's strong prospects in power construction and gas, oil & fuels (stemming mainly from PGNiG contracts) are obstructed by low-margin road contracts at Aprivia and Hydrobudowa. We recognise the risk of rapidly falling revenues of Hydrobudowa and Aprivia in 2013–2014 because (i) the majority of road contracts will have been completed, and (ii) the companies have no exposure to the railway sector. Additionally, we consider the currently executed road contracts to be high-risk and we see the risk of penalties due to potential delays. So far, approx. 40% of the time stipulated for the construction of two A1 stretches and one A4 stretch has lapsed, and the average percentage of completion for these projects lies at c. 13%. In our view, as of now this should not be considered a serious delay because of the life cycle and seasonality of road projects. However, the undertakings are to be completed in 2012 and, in our view, summer 2011 will be crucial for the assessment of the possibility to meet the deadlines.

Fig. 1 Progress of road construction contracts (as of May 31)

Project	% of time elapsed	% of completion
A1 Czerniewice-Brzezcie	37.7%	16.1%
A1 Brzezcie-Kowal	37.7%	10.3%
A4 Krzyż-Dębica	40.8%	12.7%

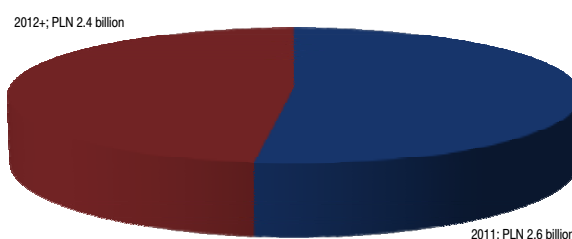
Source: 'Gazeta Wyborcza' daily - based on internal materials of GDDKiA

Fig. 2 PBG; Backlog as of 31/03/2011 by segment



Source: Company

Fig. 3 PBG; Backlog as of 31/03/2011 – time structure



Source: Company

▲ Strong position in gas

PBG has an excellent track of records as far as the gas segment is concerned – PBG's officials claim that currently the Company has c. 50% share in the market. So far, the contracts in this segment have been won at very high margins (gross margin on sales in the segment at c. 20%). This has been probably mainly due to good business relations with PGNiG and low competition (because high expertise is needed). We do not believe that such high margins are sustainable, but, in our view, they should remain decent, and PBG is capable of winning a significant part of gas tenders announced. Additionally, in our view, PBG has high chances to win the PGNiG's tender for the construction of a gas power plant in Stalowa Wola.

▲ Uncertain cooperation with OHL

After the failure of HBP and Aprivia divestment with OHL, we would be cautious in assessing further cooperation prospects. We think that now OHL has lost direct interest in subcontracting certain works to HBP and Aprivia. PBG's management assures that nothing has changed as far as the cooperation is concerned, but please note that before the collapse of the HBP & Aprivia deal the management also

assured that everything was certain, the price was fixed and only minor details were to be discussed. Generally, without any hard facts being revealed so far, we do not predict huge benefits from this cooperation and in our model we do not assume any significant revenues from announced joint operations in Latin America, Qatar, South Africa etc. However, we see some opportunities in Romania, and therefore we suggest scrutinizing the Company's tendering in this country.

▲ Romanian story

PBG has recently tendered for four contracts with a total value of PLN 4 billion in Romania. The management's goal was winning contracts for PLN 1 billion, but eventually all the offers were unsuccessful.

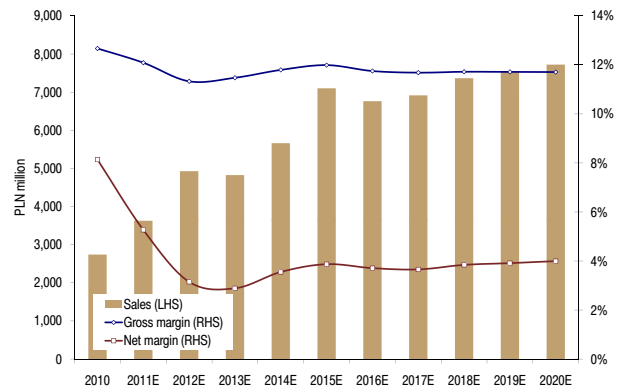
As for today, conducting business in Romania is difficult because of the sluggish economy, low use of allocated EU-funds and poor legal infrastructure. However, in a longer perspective we consider this market prospective and, in our view, the story with Polish infrastructural boom may reiterate there. Additionally, in Romania, price is not the sole criterion of the tenders, which may lead to higher margins. All in all, we expect that it may be a very prospective market in the future, and we appreciate the fact that PBG tries to establish its presence there. The initial lack of success is disappointing, though.

▲ Planned leap into housing/commercial developing

The Company announced plans to enter, through its PBG Dom subsidiary, the housing/commercial developing market. In a three-year perspective PBG plans to generate in this segment as much as PLN 500 million per annum. However, we think that the Company's projects are rather weak with land cost accounting on average for 18% of dwelling's price and an expected average margin at 16%. Generally, we believe that this is a difficult business and we do not see any edge for PBG in this area.

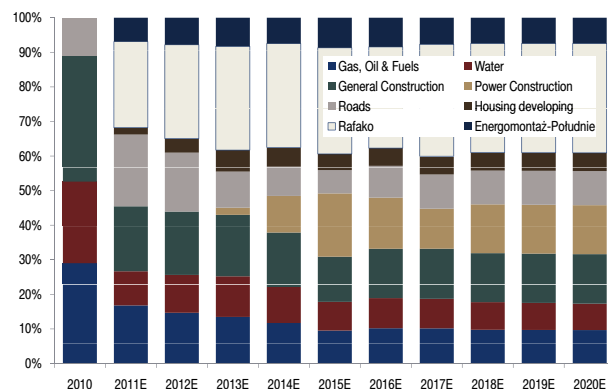
because of (i) advance payments on road contracts at the end of 2010 that raised payables to unsustainable levels, (ii) entering the housing developing segment that, at the beginning, should result in rising inventories, and (iii) expected recovery in receivables.

Fig. 4 PBG; Sales and margins



Source: Company, DM IDMSA estimates

Fig. 5 PBG; Revenue mix



Source: Company, DM IDMSA estimates

Financial forecast

We expect the revenue to rise in 2012 because of consolidation of Rafako that should offset for the forecasted decline in infrastructural projects. Thereafter, about 2015, we expect the revenues to sky-rocket, as a result of power construction contracts. We expect the revenues from gas contracts to stay at a relatively stable level, which, coupled with a rise in total revenues, should lead to a situation that the high-margin segment will account for a smaller part of total revenues. As far as margins are concerned, the drop in high-margin revenues from gas will be partially offset by (i) a rising share of power construction that is expected to bring decent, 13% gross margins on sales and, (ii) a declining share of low-margin infrastructural projects. All in all, in the long-run we forecast gross margin on sales at c. 12% and net margin at c. 4%.

As far as working capital is concerned, we expect an extension of the cash cycle from 96 days in 2010 to over 147 days in 2013,

Valuation

We value PBG with the use of the DCF method and through the forward-multiples-based valuation with its foreign and domestic peers; with regards to the detailed technical assumptions on our approach towards the Company's valuation, please refer to *Chapter 2* of this research report.

Our DCF model yields PBG's 12M EFV of PLN 157.2 The same estimate implied by multiples valuation amounts to PLN 139.8 That results in our final 12M EFV of PLN 152.9

As far as cash is concerned, we classified PLN 210 million of loans granted to other companies (out of PBG's capital group) as cash & equivalents. However, it should be noted that we consider them more risky than typical cash & equivalents and we think that the risk is not fully compensated with collected interest that is only little higher than this on PBG's own loans.

Fig. 6 PBG; DCF model

PLN m	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	>2020E
Sales	3,620.2	4,936.6	4,848.7	5,694.0	7,180.1	6,833.2	6,976.9	7,429.3	7,607.4	7,790.2	
yoy change	32%	36%	-2%	17%	26%	-5%	2%	6%	2%	2%	
EBIT margin	8.6%	6.6%	6.7%	7.0%	7.2%	7.0%	6.8%	6.9%	6.9%	6.9%	
EBIT	309.8	324.5	323.3	399.1	513.9	476.2	476.0	512.1	523.8	535.8	
yoy change	14%	5%	0%	23%	29%	-7%	0%	8%	2%	2%	
Effective cash tax rate (T)	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	
EBIT * (1-T)	250.7	262.9	261.9	323.3	416.3	385.7	385.6	414.8	424.3	434.0	
yoy change	13%	5%	0%	23%	29%	-7%	0%	8%	2%	2%	
EBITDA	363.0	399.7	401.2	474.4	591.7	554.3	553.8	593.2	609.9	628.3	
yoy change	14%	10%	0%	18%	25%	-6%	0%	7%	3%	3%	
EBITDA margin	10.0%	8.1%	8.3%	8.3%	8.2%	8.1%	7.9%	8.0%	8.0%	8.1%	
Depreciation	53.2	75.2	77.9	75.2	77.7	78.1	77.8	81.2	86.1	92.5	
EBIT * (1-T) + D	303.9	338.0	339.8	398.5	494.0	463.8	463.3	495.9	510.3	526.5	
yoy change	13%	11%	1%	17%	24%	-6%	0%	7%	3%	3%	
Capex	-57.3	-82.1	-85.7	-93.5	-90.2	-89.2	-81.4	-82.7	-86.1	-94.6	
M&A capex	-96.7	-408.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
(net of cash in acquired companies)											
Change in NWC	-492.3	-63.5	-37.6	-318.7	-457.1	92.3	1.1	-174.6	-59.2	-60.8	
Equity issue proceeds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free cash flow	-342.4	-216.2	216.4	-13.7	-53.3	467.0	383.1	238.6	365.0	371.0	
Cost of equity											
Risk free rate (nominal)	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	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%	4.5%
Unlevered beta	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Beta adjusted for leverage	1.17	1.20	1.18	1.18	1.19	1.16	1.14	1.14	1.12	1.10	1.10
Required rate of return	11.3%	11.4%	11.3%	11.3%	11.3%	11.2%	11.1%	11.1%	11.0%	11.0%	10.0%
Cost of debt											
Cost of debt (pre-tax)	6.4%	7.2%	6.8%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Effective tax rate	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
After-tax cost of debt	5.2%	5.8%	5.5%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%
WACC											
Weight of debt	21%	25%	23%	23%	23%	20%	18%	17%	15%	13%	13%
Weight of equity	79%	75%	77%	77%	77%	80%	82%	83%	85%	87%	87%
Cost of equity	11.3%	11.4%	11.3%	11.3%	11.3%	11.2%	11.1%	11.1%	11.0%	11.0%	10.0%
After-tax cost of debt	5.2%	5.8%	5.5%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%
WACC	10.0%	10.0%	10.0%	9.9%	9.8%	10.0%	10.0%	10.1%	10.1%	10.2%	9.3%
Discount multiple	1.00	1.05	1.16	1.27	1.39	1.53	1.69	1.86	2.04	2.25	
Discount factor	1.00	0.95	0.87	0.79	0.72	0.65	0.59	0.54	0.49	0.44	
PV of free cash flow		-205.9	187.4	-10.8	-38.2	304.7	227.1	128.6	178.6	164.8	
Sum of FCFs PVs											936.2
Weight of debt in the residual period											13%
Weight of equity in the residual period											87%
Average cost of equity in the definite period											11.2%
Average WACC in the definite period											10.0%
WACC in the residual period											9.3%
Residual growth of FCFs											2.5%
Residual value											5,583.4
Present value of the residual value											2,479.2
Value of PBG's construction business											3,415.4
Cash and equivalents, eop 2011E											727.4
Non-operating assets (real estate)											363.8
Interest-bearing debt, eop 2011E											1,618.7
Minorities (Hydrobudowa Polska)											141.2
Minorities (Energomontaż-Południe)											117.3
Minorities (Rafako)											402.1
Dividend paid between now and the valuation horizon											20.0
Equity value											2,247.2
No. of shares (m)											14.3
12-month forward per share fair value of PBG (PLN), base-case scenario											157.2

Source: DM IDMSA estimates

Fig. 7 12M EFV (75%/25% weighted average of DCF and peer-relative valuation) sensitivity to DCF assumptions

Equity risk premium	Residual growth				
	1.5%	2.0%	2.50%	3.00%	3.50%
5.5%	115.5	121.2	127.6	134.8	143.1
5.0%	125.2	131.9	139.3	147.9	157.8
4.5%	136.3	144.0	152.9	163.1	175.0
4.0%	148.8	158.0	168.5	180.8	195.3
3.5%	163.3	174.2	186.9	201.9	219.9

Source: DM IDMSA estimates

Fig. 8 12M EFV (75%/25% weighted average of DCF and peer-relative valuation) sensitivity to margins assumptions

Change in power construction gross margins on sales vs. base scenario	Change in road construction gross margins on sales vs. base scenario				
	-1.0%	-0.5%	0.0%	0.5%	1.0%
-1.0%	143.0	145.6	148.3	150.9	153.6
-0.5%	145.3	147.9	150.6	153.2	155.9
0.0%	147.6	150.2	152.9	155.5	158.2
0.5%	149.8	152.5	155.2	157.8	160.5
1.0%	152.1	154.8	157.5	160.1	162.8

Source: DM IDMSA estimates

Recommendation

We give the Company a fundamental LT Hold recommendation. We like its strategic positioning in power construction achieved through judicious acquisition deals. Additionally, we recognise some opportunities in the gas segment and international expansion. However, we also see the downsides of the exposure to declining infrastructural construction and weakness of housing/commercial developing projects. All in all, we have mixed feelings about the Company, but we can become potentially more positive, should PBG win some huge power construction contracts at decent margins. On the other side of the coin, the biggest potential downside risk consists, in our view, in postponing power construction undertakings, which would put a question mark on the acumen displayed in the recent acquisition deals executed at the expense of a substantial debt burden.

Financial statements (IFRS consolidated)

Fig. 9 PBG; Balance sheet

PLN m	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Fixed assets	1,599.1	1,799.6	2,534.5	2,498.0	2,476.6	2,444.6	2,397.1	2,319.3	2,232.3	2,133.4	2,028.1
Intangibles	41.6	43.9	52.1	51.4	50.7	49.8	48.8	49.3	50.0	50.8	51.6
Goodwill	346.9	436.0	919.3	919.3	919.3	919.3	919.3	919.3	919.3	919.3	919.3
Tangible fixed assets	665.4	735.3	907.7	916.2	935.2	948.6	960.6	963.7	964.5	963.8	965.2
LT receivables	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8
LT investments	408.2	434.4	461.6	417.3	377.6	333.1	274.5	193.2	104.6	5.7	-101.8
LT deferred assets	24.2	36.9	80.2	80.2	80.2	80.2	80.2	80.2	80.2	80.2	80.2
Others	97.1	97.4	97.8	97.8	97.8	97.8	97.8	97.8	97.8	97.8	97.8
Current assets	3,155.8	3,744.9	4,188.8	4,189.4	4,721.9	5,527.2	5,520.7	5,681.0	5,914.1	5,943.2	6,183.5
Inventories	293.5	508.3	577.2	579.8	695.8	846.6	818.4	804.9	866.5	887.0	908.0
ST receivables	1,728.6	2,425.1	2,784.8	2,623.5	3,095.0	3,850.2	3,698.2	3,738.0	4,003.1	4,098.2	4,195.8
ST deferred assets	54.6	79.1	79.1	79.1	79.1	79.1	79.1	79.1	79.1	79.1	79.1
Cash & equivalents	1,079.1	732.3	747.6	907.0	852.0	751.2	925.0	1,059.0	965.4	878.9	1,000.6
Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	4,755.0	5,544.5	6,723.3	6,687.5	7,198.6	7,971.8	7,917.7	8,000.3	8,146.4	8,076.7	8,211.6
Equity	1,831.4	2,091.4	2,462.7	2,577.6	2,759.2	2,968.7	3,104.3	3,160.8	3,248.1	3,320.0	3,395.1
Minority Interest	226.3	304.9	509.4	549.0	597.7	661.4	723.4	778.0	835.2	895.0	956.6
Liabilities & reserves	2,923.5	3,453.1	4,260.6	4,109.9	4,439.4	5,003.1	4,813.4	4,839.4	4,898.3	4,756.6	4,816.6
Reserves	88.4	103.6	103.6	103.6	103.6	103.6	103.6	103.6	103.6	103.6	103.6
LT liabilities	952.3	1,212.6	1,633.6	1,630.4	1,688.2	1,648.9	1,547.7	1,546.7	1,451.6	1,253.1	1,254.6
Non-interest-bearing	38.3	48.3	69.2	66.1	73.9	84.6	83.3	82.4	87.2	88.7	90.2
Interest-bearing	914.0	1,164.4	1,564.4	1,564.4	1,614.4	1,564.4	1,464.4	1,464.4	1,364.4	1,164.4	1,164.4
ST liabilities	1,858.0	2,098.6	2,257.0	2,110.6	2,379.4	2,978.3	2,890.4	2,917.7	3,069.9	3,126.3	3,184.1
Non-interest-bearing	1,323.3	1,644.3	1,802.7	1,606.3	1,875.1	2,324.0	2,236.1	2,263.4	2,415.6	2,471.9	2,529.8
Interest-bearing	534.7	454.3	454.3	504.3	504.3	654.3	654.3	654.3	654.3	654.3	654.3
Deferred liabilities	24.7	38.3	266.5	265.3	268.2	272.2	271.8	271.4	273.2	273.8	274.3
Total liabilities and equity	4,755.0	5,544.5	6,723.3	6,687.5	7,198.6	7,971.8	7,917.7	8,000.3	8,146.4	8,076.7	8,211.6

Source: Company, DM IDMSA estimates

Fig. 10 PBG; Income statement

PLN m	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Sales	2,740.3	3,620.2	4,936.6	4,848.7	5,694.0	7,180.1	6,833.2	6,976.9	7,429.3	7,607.4	7,790.2
COGS	-2,393.1	-3,185.7	-4,380.2	-4,292.5	-5,023.0	-6,319.1	-6,029.9	-6,161.4	-6,558.3	-6,716.0	-6,877.8
Gross profit on sales	347.2	434.5	556.4	556.2	671.0	861.1	803.3	815.5	871.0	891.5	912.4
Selling costs	-0.1	-2.4	-56.7	-61.1	-71.6	-92.2	-83.8	-94.0	-97.8	-100.2	-102.7
General administration costs	-109.1	-131.6	-175.3	-171.8	-200.2	-255.0	-243.3	-245.4	-261.2	-267.5	-273.9
Net profit on sales	238.1	300.5	324.5	323.3	399.1	513.9	476.2	476.0	512.1	523.8	535.8
Other operating income	66.9	10.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating costs	-33.6	-2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	1.4	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	272.7	309.8	324.5	323.3	399.1	513.9	476.2	476.0	512.1	523.8	535.8
Financial income	64.0	45.5	29.9	23.1	21.4	20.3	21.7	26.3	27.6	25.1	25.8
Financial costs	-71.3	-96.9	-126.7	-133.9	-122.0	-126.5	-126.5	-123.5	-120.5	-111.5	-105.5
Other	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax income	267.6	258.5	227.7	212.5	298.5	407.7	371.3	378.7	419.1	437.3	456.1
Income tax	-49.1	-49.3	-43.3	-40.4	-56.7	-77.5	-70.5	-72.0	-79.6	-83.1	-86.7
Minority interest in net income	5.8	-20.0	-31.7	-34.0	-42.1	-55.6	-50.4	-54.6	-57.1	-59.9	-61.6
Net income	224.3	189.2	152.7	138.1	199.7	274.6	250.3	252.2	282.3	294.4	307.8
EBITDA	319.4	363.0	399.7	401.2	474.4	591.7	554.3	553.8	593.2	609.9	628.3

Source: Company, DM IDMSA estimates

Fig. 11 PBG; Cash flow

PLN m	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Pre-tax profit (loss)	267.6	258.5	227.7	212.5	298.5	407.7	371.3	378.7	419.1	437.3	456.1
Depreciation and amortization	46.7	53.2	75.2	77.9	75.2	77.7	78.1	77.8	81.2	86.1	92.5
NWC change:	215.9	-492.3	-63.5	-37.6	-318.7	-457.1	92.3	1.1	-174.6	-59.2	-60.8
Change in inventories	-45.0	-127.7	-35.7	-2.6	-116.0	-150.9	28.3	13.5	-61.6	-20.5	-21.0
Change in receivables	154.6	-588.2	119.1	161.3	-471.5	-755.2	152.0	-39.8	-265.1	-95.1	-97.6
Change in payables	106.3	223.6	-146.9	-196.3	268.7	449.0	-88.0	27.4	152.2	56.3	57.9
Other	-89.7	15.4	48.1	65.4	54.0	42.8	31.9	23.3	19.4	4.7	-5.5
Operating cash flow	440.4	-165.2	287.5	318.2	109.1	71.2	573.7	480.9	345.0	468.9	482.2
Capital expenditures	-400.8	-57.3	-82.1	-85.7	-93.5	-90.2	-89.2	-81.4	-82.7	-86.1	-94.6
M&A capex	0.0	-96.7	-408.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(net of cash in acquired companies)											
Other	-129.1	35.5	6.7	67.5	61.1	64.9	80.2	107.6	116.2	124.0	133.3
Investing cash flow	-530.0	-118.4	-484.1	-18.2	-32.5	-25.3	-9.0	26.3	33.4	37.8	38.7
Change in interest-bearing debt	226.9	51.3	400.0	50.0	50.0	100.0	-100.0	0.0	-100.0	-200.0	0.0
Dividends payment	-20.0	-21.3	-66.1	-56.6	-59.5	-120.1	-164.5	-249.6	-251.5	-281.6	-293.7
Interest	-61.7	-96.9	-126.7	-133.9	-122.0	-126.5	-126.5	-123.5	-120.5	-111.5	-105.5
Other	-0.3	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing cash flow	144.9	-66.4	207.3	-140.5	-131.6	-146.6	-391.0	-373.2	-472.1	-593.2	-399.3
Total cash flow	55.4	-350.1	10.7	159.4	-54.9	-100.8	173.7	134.0	-93.6	-86.5	121.6

Source: Company, DM IDMSA estimates

Fig. 12 PBG; Ratios

	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Sales growth (yoy)	6%	32%	36%	-2%	17%	26%	-5%	2%	6%	2%	2%
Gross profit on sales growth (yoy)	-11%	25%	28%	0%	21%	28%	-7%	2%	7%	2%	2%
EBITDA growth (yoy)	-4%	14%	10%	0%	18%	25%	-6%	0%	7%	3%	3%
Operating profit growth (yoy)	-5%	14%	5%	0%	23%	29%	-7%	0%	8%	2%	2%
Net income growth (yoy)	6%	-16%	-19%	-10%	45%	38%	-9%	1%	12%	4%	5%
A/R turnover days	238	214	255	251	219	217	241	240	229	236	236
Inventory turnover days	40	43	58	68	64	63	70	70	67	69	69
A/P turnover days	182	171	186	172	144	142	157	156	149	153	153
Cash cycle days	96	86	128	147	140	139	154	154	147	151	151
NWC/sales	24%	34%	30%	32%	32%	32%	32%	31%	32%	32%	32%
Gross margin	12.7%	12.0%	11.3%	11.5%	11.8%	12.0%	11.8%	11.7%	11.7%	11.7%	11.7%
EBITDA margin	11.7%	10.0%	8.1%	8.3%	8.3%	8.2%	8.1%	7.9%	8.0%	8.0%	8.1%
EBIT margin	10.0%	8.6%	6.6%	6.7%	7.0%	7.2%	7.0%	6.8%	6.9%	6.9%	6.9%
Pre-tax margin	9.8%	7.1%	4.6%	4.4%	5.2%	5.7%	5.4%	5.4%	5.6%	5.7%	5.9%
Net margin	8.2%	5.2%	3.1%	2.8%	3.5%	3.8%	3.7%	3.6%	3.8%	3.9%	4.0%
ROE	15.0%	11.2%	8.2%	6.9%	9.5%	12.3%	10.7%	10.6%	11.8%	12.2%	12.7%
ROA	5.1%	3.7%	2.5%	2.1%	2.9%	3.6%	3.2%	3.2%	3.5%	3.6%	3.8%
Current ratio	1.7	1.8	1.9	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9
Quick ratio	1.5	1.5	1.6	1.7	1.7	1.6	1.6	1.7	1.6	1.6	1.7
Net debt/EBITDA	1.8	2.5	3.2	2.9	2.7	2.5	2.2	1.9	1.8	1.6	1.3

Source: Company, DM IDMSA estimates