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# PBG

Sector: Construction  
Fundamental rating: Buy (↑)  
Market relative: Overweight (↑)  
Price: PLN 44.75  
12M EFV: PLN 59.2 (↓)

Market Cap.: US\$ 192 m  
Reuters code: PBGG.WA  
Av. daily turnover: US\$ 2.16 m  
Free float: 73%  
12M range: PLN 42.59-200.70

**Investment story – is it a bankrupt or is it a buy?** In our opinion the recent massive decline in PBG's share market was excessive. We consider the Company a going concern because (i) the prospective share issue has high chances to be a moderate success (we do not believe in a strategic investor, though), (ii) a default is unlikely because banks are effectively PBG's hostages and PBG is capable of paying interest on its debt, (iii) when the road contracts are over the Company should generate a decent cash flow (especially from the healthy Rafako's operations), and (iv) conservatively measured value of non-operating assets amounts to PLN 590 million. If the Company is a going concern then the shares are cheap. Despite a 40% slash in our per share 12M EFV (to PLN 59.2) to account for (i) expected dilution (100%, at an assumed 22% discount to the current share market price), (ii) risks associated with road contracts, (iii) poor net working capital management, it still offers a 32% upside from the current share market price. To put it the other way round: the current share market price implies c. 24% default probability, which is way too much, in our view. Therefore, we speculatively upgrade our LT fundamental recommendation to Buy (from Hold) and our ST market-relative rating to Overweight (from Neutral).

**Share issue.** Recently the Company announced a massive (up to 100% dilution) share (or convertibles) issue. We estimate that PBG needs at least PLN 0.5 billion (PLN 375 million to roll bonds due this year, PLN 125 million to finance current net working capital needs), the Company claims that it wants to raise PLN 1.2 billion. The deal is to be structured as a convertible bonds issue or a share issue with preemptive right. In our view, the most probable scenario is an issue to financial investors – we are rather sceptical as to the possibility of finding a strategic investor.

▲ **Financial investors & Mr Wiśniewski.** We think that this kind of issue is very likely and that it is highly probable that the institutional investors will participate in it (PPIM, a holder of 18.9% stake, has already commented that an issue is a good idea, many investors hold also PBG's debt which may default if the issue is unsuccessful). However, the magnitude should be smaller than in the case of an issue to a strategic investor – in last year Mr. Jerzy Wiśniewski, PBG's CEO and holder of a 27.15% stake in the Company, cashed approx. PLN 89 million from trades on PBG's shares – if he does not want to dilute his stake in PBG (and weaken his control over the Company) the issue value would not exceed approx. PLN 330 million. He may use some financing and accept a dilution (because it will not necessarily result in losing effective control over the Company), but anyway we guess that this kind of issue will not exceed PLN 0.6 billion.

**Guide to adjusted profits**

EBITDA and net profit adjusted for multiple one-off items and reclassifications. For details please refer to the 'Accounting sheringans' section of this research report.

Key data

IFRS consolidated		2011	2012E	2013E	2014E
Sales	PLN m	3,733.8	4,208.0	3,691.5	3,735.6
Adj EBITDA	PLN m	355.9	348.7	366.8	404.6
EBIT	PLN m	336.2	295.4	318.0	357.1
Adj EBIT	PLN m	294.8	277.9	295.1	332.2
Net profit	PLN m	206.5	125.0	139.5	160.5
Adj net profit	PLN m	178.4	125.0	139.5	160.5
Adj EPS	PLN	12.48	4.37	4.88	5.61
Adj EPS yoy chng	%	-6	-65	12	15
Adj net debt**	PLN m	1,628.0	806.8	740.8	628.9
P/E	x	3.6	10.2	9.2	8.0
P/CE*	x	2.7	7.0	6.1	5.5
EV/EBITDA*	x	6.7	7.4	6.9	6.1
EV/EBIT*	x	8.1	9.2	8.6	7.4
Gross dividend yield	%	3.1	0.0	0.0	5.5
DPS	PLN	1.40	0.00	0.00	2.44
No. of shares (eop)	m	14.3	28.6	28.6	28.6

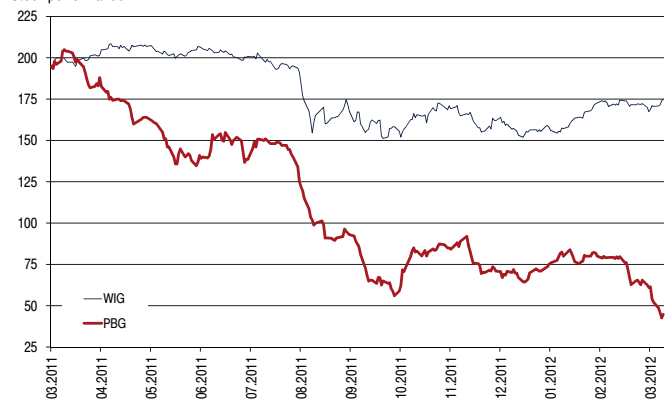
All multiples based on adjusted profits.

\* Based on adjusted assuming proportional consolidation of HBP and Rafako subsidiaries.

\*\* Adjusted for off-balance-sheet debt.

Source: Company, DM IDMSA estimates

Stock performance



Source: ISI

Upcoming events

1. Release of FY11 results: April 30, 2012
2. EGM to vote share/CB issue: April 3, 2012

Catalysts

1. Success of share issue
2. Increased payments from GDDKiA
3. Disposal of non-operating assets
4. Strategic investor

Risk factors

1. Unsuccessful share issue
2. Problems with road contracts

▲ **Strategic investor.** The Company claims that it wants to direct the issue to a strategic investor and negotiations with some entities are in progress. That would be a positive scenario because of ensuring financial stability and allowing for streamlining

of the Company's operations. Additionally, some investors may hope for capturing the control premium. However, some questions make us lukewarm as regards this scenario.

- Why has the Company announced issue before completing negotiations (stock price plunged which weakens the negotiation power)?
- How does Mr Wiśniewski want to capture the premium for control?
- Why, despite low market valuations, no calls for Polish construction companies' shares were announced recently?

All in all, it looks like there is no serious strategic investor from the industry and by making the issue information public the Company hopes to attract some entities from other sectors. However, we think that this scenario is rather improbable because we see no strategic investors with capability and willingness to take over PBG.

In our valuation we assume a 100% dilution and an issue price of PLN 35 per share (22% below current market level).

**Debtholders are PBG's hostages.** Even when the issue will be not entirely sufficient to cover PBG's needs, we believe that the Company's default is unlikely. The debtholders are effectively PBG's hostages because (i) the PLN 375 million bonds maturing in 2012 are unsecured (so the risk of Company's default may force bondholders to roll the debt), (ii) over 90% of the ST interest-bearing liabilities are revolving loans, extended mainly at the beginning of current year – we think that defaulting the loan in the situation where the Company is able to pay interest (FY12E Adj EBITDA/interest at over 3x) would make no sense.

**Where to find the cash?** High net debt position at the end of 4Q11 was caused by (i) poor net working capital management (especially in Aprivia), (ii) banks withdrawal from financing of Rafako's acquisition (it was financed with own means), and (iii) Alstom's PLN 135 million call on guarantees. In FY12 we expect the net debt position to improve even when not accounted for the prospective share issue because (i) most road contracts will be completed this year which should free some cash tied in working capital (we expect PLN 365 million to be released, one must bear in mind that the Company will also need to pay huge payables), and (ii) the FY12E adj EBITDA stands at PLN 349 million, mainly because of cash-generating Rafako business. Additionally, according to our conservative estimates, PBG has c. PLN 590 million frozen in non-operating assets. For details please refer to the *Figure 1*.

**Tough year ahead.** We think that current year may be tough for PBG because of (i) liquidity problems, (ii) negative earnings momentum (high share of low-margin road construction contracts, high debt burden and lower margins in gas because the high-margin Wierzchowice contract was completed), (iii) dilution from share issue, and (iv) high risk of road construction contracts (low reserves and unsatisfactory progress of currently performed contracts).

**What is a mid-cycle level for net working capital?** Net working capital is the key driver of construction companies valuations. Especially the long-end estimates have a massive impact on valuation. It is sometimes claimed that the current levels of net working capital at Polish companies are poor proxies for their future level because of distortion caused by high share of road contracts in the revenue mix. We think that there is only little truth in this theory – our research shows that the levels of net working capital are rather company-specific than segment-specific. We arrived at this conclusion through two approaches:

▲ Historical results for Polish construction companies (before all-in entry into road construction) show strong relative persistency of NWC levels. It seems that PBG and HBP used to have the ratio at a high level before strongly entering the infrastructural construction segment. On the other side, Budimex needed always the lowest amount of net working capital and good liquidity management on road contracts allowed even to improve its position. For details please refer to the *Figure 3*.

▲ International peers also show that the net working capital levels exhibit relatively small absolute changes. The discrepancies between mean and median of absolute change in NWC/sales ratio are caused by greater volatility at higher levels of net working capital. For details please refer to the *Figure 4*.

All in all, we think that probably some effect of NWC/Sales mean reversion after completing road contracts will happen in our construction companies universe. However, the gained evidence from domestic and international peers gives no support to the theory that PBG's net working capital requirement will exhibit massive decline in the medium-to-long run – it is likely that it is a company-specific issue, not determined by exposure to road construction, in our view. For details regarding our assumptions please refer to the *Figure 5*.

**Accounting shenigans.** Recently, the Company significantly altered its accounting policies which had a generally positive impact on reported figures. Additionally, some one-off items in PBG statement may be identified. All in all, we think that the accounting issues boosted FY11 EBIT by PLN 41 million, net income by PLN 28.1 million and decreased net debt by at least PLN 195 million. All in all, we think that PBG's pursues an aggressive accounting policy. For details please refer to the *Figure 6*.

**Valuation.** Because of (i) a massive prospective share issue, (ii) poor net working capital management and (iii) risks associated with road contracts we adjust downward our 12M EFV to PLN 59.2 per share (down 40%). The valuation implied by DCF model amounts to PLN 64.9 per share, the peer-relative multiples imply (post-share-issue) price target of PLN 41.9 per share. When calculating our 12M EFV we use a 75%/25% mix of DCF/multiples valuation method. We assumed a 100% dilution with share issue price of PLN 35.0 per share (22% discount to the current share market price). It should be also noticed that the current market value of PBG's stakes in HBP and Rafako exceeds the market cap of PBG.

Fig. 1 PBG; Key non-operating assets

Asset	Expected proceeds (PLN m)	Discount applied	Comment	Probability of receiving cash in 2012
Strateg Capital (aggregates mine)	70	50%	Company has booked loans for PLN 140 million to Strateg, but we think that finding a buyer on an aggregates mine will be very hard, even at a heavy discount.	low
Skalar Office house in Poznań	95	30%	The project is nearly fully commercialised.	medium
EPD's office house in Wrocław	45	40%	EPD tries to sell this property for a long time.	medium
Osiedle Książęce (Katowice)	30	c. 60%	EPD struggles with sale of this project for a long time. Generally it is a high-end project in poor localisation which makes it hard to sell, even at a significant discount.	low
Other investment properties	90	50%	We think that generally PBG's real estate portfolio (projects in Łeba, Świnoujście, Poznań, properties in Mikołów, Szczyrk etc.) is of poor quality.	low
Loans to real estate projects	180	40%	The Company has approx PLN 300 million loans to various real estate projects.	low
Arbitrage proceeding against Alstom	30	78%	Alstom called Rafako's guarantees on PLN 135 million, the case is in arbitrage proceeding	medium
Loan to Infra	50	20%	Infra was a PBG's subsidiary sold to management. The loan is due in 2012.	medium/high
<b>Total</b>	<b>590</b>			

Source: Company, DM IDMSA estimates

Fig. 2 PBG; FY11 adjusted results and changes in IDM's forecast

IFRS consolidated PLN m	FY11	FY12			FY13			FY14		
		current	previous	change	current	previous	change	current	previous	change
Sales	3,733.8	4,208.0	4,625.0	-9%	3,691.5	4,436.7	-17%	3,735.6	5,128.0	-27%
Gross profit on sales	416.4	441.9	504.9	-12%	439.5	504.1	-13%	477.1	583.1	-18%
EBIT	336.2	295.4	284.4	4%	318.0	281.8	13%	357.1	331.2	8%
Adj EBIT	294.8	277.9	284.4	-2%	295.1	281.8	5%	332.2	331.2	0%
Net profit	206.5	125.0	109.5	14%	139.5	112.1	24%	160.5	151.3	6%
Adj net profit	178.4	125.0	109.5	14%	139.5	112.1	24%	160.5	151.3	6%
Adj net debt	1,628.0	806.8	1,302.1	-38%	740.8	1,277.2	-42%	628.9	1,226.6	-49%

Source: Company, DM IDMSA estimates

Fig. 3 Construction sector; NWC of selected companies as % of total sales (as reported by Bloomberg)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011E
Budimex	8%	5%	-3%	-2%	-1%	-17%	-2%	-18%	-35%	-35%
<b>PBG</b>	<b>26%</b>	<b>18%</b>	<b>39%</b>	<b>20%</b>	<b>55%</b>	<b>61%</b>	<b>38%</b>	<b>45%</b>	<b>38%</b>	<b>44%</b>
Polimex	18%	17%	12%	11%	10%	8%	10%	5%	11%	11%
Hydrobudowa	n.a	n.a	n.a	n.a	61%	41%	21%	25%	26%	36%

Please note that for the sake of comparability the figures are presented as reported by Bloomberg and thus significantly differ from our estimates.

Source: Bloomberg

Fig. 4 Construction sector; Absolute annual change in NWC/Sales for a group of 32 European construction companies (in pp)

	2003	2004	2005	2006	2007	2008	2009	2010	2011E
Median	2%	5%	0%	4%	6%	5%	2%	3%	4%
Mean	10%	6%	1%	10%	10%	10%	7%	5%	4%

Source: Bloomberg

Fig. 5 Construction sector; NWC of selected companies as % of total sales (as estimated by IDM)

	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Budimex	-22%	-16%	-4%	6%	10%	8%	7%	7%	6%	6%	6%
<b>PBG</b>	<b>26%</b>	<b>35%</b>	<b>22%</b>	<b>27%</b>	<b>27%</b>	<b>27%</b>	<b>27%</b>	<b>27%</b>	<b>27%</b>	<b>27%</b>	<b>27%</b>
Polimex	13%	16%	16%	15%	16%	16%	17%	17%	17%	17%	17%
Hydrobudowa	28%	34%	31%	30%	30%	30%	30%	30%	30%	30%	30%

Source: DM IDMSA estimates

Fig. 6 PBG; Accounting adjustments – details

Item	Classification	Magnitude (PLN m)	Adjustment
Interest on loans granted	Other operating income	24.7	Transferred to income from financial activities (i.e. below EBIT line)
Currency translations	Other operating income	12.0	One-off item
Income from investment in associates	Other operating income	8.4	Transferred to income from financial activities (i.e. below EBIT line)
Gain on financial instruments	Other operating income	7.3	Transferred to income from financial activities (i.e. below EBIT line)
Investment maintenance	Other operating costs	-7.1	Transferred to cost from financial activities (i.e. below EBIT line)
Interest cost	Other operating costs	-3.9	Transferred to cost from financial activities (i.e. below EBIT line)
Interest income	Other operating income	6.4	Transferred to income from financial activities (i.e. below EBIT line)
Currency translations	Financial income	16.1	One-off item
Developing projects transferred to closed-end funds*	Loans increase	c. 170	No adjustment
	Interest income in other operating activities	n.a.	No adjustment (magnitude not known, rather immaterial)
Sale of Strateg Capital and GOE **	Net debt deconsolidated	c. 150	Net debt adjusted (the sale was colourable)
Housing developing classified as short-term financial assets	Higher cash	c. 45	Net debt adjusted
Offering costs capitalized, not expensed	Deferred assets	c. 51	No adjustment

\* PBG transferred the ownership of its developing projects to closed-end funds. That resulted in their deconsolidation because the Company claims that it has no control over the entities. Therefore the loans for the deconsolidated projects are shown on the balance sheet. Additionally, the interest on these loans also started to be recognised.

\*\* The Company conducted a colourable sale of Strateg Capital and GOE in order to remove their debt from its balance sheet.

Source: Company, DM IDMSA estimates

Fig. 7 Revenue and margin breakdown by segments

PLN m	2011	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
<b>Gas</b>										
Revenue	851.0	640.0	550.0	550.0	400.0	400.0	500.0	510.0	520.2	530.6
Gross margin on sales	16.5%	13.8%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
<b>Water</b>										
Revenue	510.2	320.0	320.0	332.8	349.4	359.9	370.7	381.8	393.3	405.1
Gross margin on sales	16.5%	15.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
<b>General construction</b>										
Revenue	790.5	430.0	408.5	424.8	441.8	459.5	477.9	497.0	511.9	527.3
Gross margin on sales	6.3%	7.9%	7.9%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
<b>Power construction</b>										
Revenue	413.5	1420.0	1700.0	2000.0	2200.0	1900.0	1700.0	1600.0	1600.0	1600.0
Gross margin on sales	17.2%	16.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
<b>Road construction</b>										
Revenue	1113.1	1370.0	685.0	400.0	400.0	750.0	850.0	892.5	919.3	946.9
Gross margin on sales	4.3%	2.5%	3.5%	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Other</b>										
Revenue	55.6	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
Gross margin on sales	40.2%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%

Source: DM IDMSA estimates

Fig. 8 PBG; DCF Valuation

PLN m	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	>2020E
Sales	4,208.0	3,691.5	3,735.6	3,819.3	3,897.4	3,926.6	3,909.3	3,972.7	4,037.8	
yoy change	13%	-12%	1%	2%	2%	1%	0%	2%	2%	
Adj EBIT margin	6.6%	8.0%	8.9%	8.9%	8.1%	7.8%	7.6%	7.6%	7.5%	
Adj EBIT	277.9	295.1	332.2	341.5	316.4	306.5	298.3	301.1	304.0	
yoy change	-6%	6%	13%	3%	-7%	-3%	-3%	1%	1%	
Effective cash tax rate (T)	17%	17%	17%	17%	17%	17%	17%	17%	17%	
Adj EBIT * (1-T)	230.7	244.9	275.8	283.4	262.6	254.4	247.6	249.9	252.3	
yoy change	-4%	6%	13%	3%	-7%	-3%	-3%	1%	1%	
Adj EBITDA	348.7	366.8	404.6	414.5	390.0	380.7	373.0	376.2	379.4	
yoy change	-2%	5%	10%	2%	-6%	-2%	-2%	1%	1%	
Adj EBITDA margin	8.3%	9.9%	10.8%	10.9%	10.0%	9.7%	9.5%	9.5%	9.4%	
Depreciation	70.8	71.7	72.4	73.0	73.6	74.2	74.7	75.1	75.5	
Adj EBIT * (1-T) + D	301.5	316.6	348.1	356.5	336.2	328.6	322.3	325.0	327.8	
yoy change	0%	5%	10%	2%	-6%	-2%	-2%	1%	1%	
Capex, PPE	-79.0	-79.0	-79.0	-79.0	-79.0	-79.0	-79.0	-79.0	-79.0	
M&A capex	-192.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in NWC	365.2	-104.9	-20.8	-20.0	-8.0	-2.8	6.1	-13.8	-13.5	
Equity issue proceeds	500.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Free cash flow</b>	<b>896.1</b>	<b>132.7</b>	<b>248.4</b>	<b>257.5</b>	<b>249.3</b>	<b>246.8</b>	<b>249.4</b>	<b>232.2</b>	<b>235.3</b>	
<b>Cost of equity</b>										
Risk free rate (nominal)	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	5.0%
Equity risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Unlevered beta	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Beta adjusted for the level of company's leverage	1.19	1.17	1.15	1.13	1.11	1.10	1.10	1.09	1.08	1.08
Required rate of return	12.0%	11.9%	11.7%	11.6%	11.6%	11.5%	11.5%	11.4%	11.4%	10.4%
<b>Cost of debt</b>										
Cost of debt (pre-tax)	9.0%	9.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Effective tax rate	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%
<b>After-tax cost of debt</b>	<b>7.5%</b>	<b>7.5%</b>	<b>6.6%</b>	<b>6.6%</b>	<b>6.6%</b>	<b>6.6%</b>	<b>6.6%</b>	<b>6.6%</b>	<b>6.6%</b>	<b>6.6%</b>
<b>WACC</b>										
Weight of debt	23%	21%	18%	15%	13%	13%	11%	11%	10%	10%
Weight of equity	77%	79%	82%	85%	87%	87%	89%	89%	90%	90%
Cost of equity	12.0%	11.9%	11.7%	11.6%	11.6%	11.5%	11.5%	11.4%	11.4%	10.4%
After-tax cost of debt	7.5%	7.5%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
<b>WACC</b>	<b>10.9%</b>	<b>11.0%</b>	<b>10.8%</b>	<b>10.9%</b>	<b>10.9%</b>	<b>10.9%</b>	<b>10.9%</b>	<b>10.9%</b>	<b>10.9%</b>	<b>10.0%</b>
Discount multiple	1.02	1.13	1.25	1.39	1.54	1.71	1.89	2.10	2.33	
Discount factor	0.98	0.89	0.80	0.72	0.65	0.59	0.53	0.48	0.43	
PV of free cash flow (PLN m)	-	117.4	198.4	185.5	161.9	144.5	131.7	110.5	101.0	
Sum of FCFs PVs (PLN m)										1,150.9
Weight of debt in the residual period										10%
Weight of equity in the residual period										90%
Average cost of equity in the definite period										11.6%
Average WACC in the definite period										10.9%
WACC in the residual period										10.0%
Residual growth of FCFs, base-case scenario										2.0%
Residual value										2,986.0
Present value of the residual value										1,281.2
<b>Value of PBG's construction business</b>										<b>2,432.1</b>
Cash and equivalents, eop 2012E										1,008.2
Non-operating assets (from Figure 1, excluding case with Alstom)										560.0
Interest-bearing debt, eop 2012E (including PLN 195 million off-balance-sheet debt)										1,815.0
Minorities (Hydrobudowa Polska)										81.7
Minorities (Rafako)										247.1
Dividend paid between now and the valuation horizon										0.0
Equity value										1,856.5
No. of shares (m)										28.6
<b>12-month forward fair value of PBG (PLN)</b>										<b>64.9</b>

Source: Company, DM IDMSA estimates

**Financial statements (IFRS consolidated)**

Fig. 9 PBG; Balance sheet

PLN m	2011	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
<b>Fixed assets</b>	<b>2,241.9</b>	<b>2,442.0</b>	<b>2,449.4</b>	<b>2,456.0</b>	<b>2,462.0</b>	<b>2,467.3</b>	<b>2,472.1</b>	<b>2,476.5</b>	<b>2,480.4</b>	<b>2,483.9</b>
Intangibles	52.1	52.1	52.1	52.1	52.1	52.1	52.1	52.1	52.1	52.1
Goodwill	882.7	1,074.7	1,074.7	1,074.7	1,074.7	1,074.7	1,074.7	1,074.7	1,074.7	1,074.7
Tangible fixed assets	668.3	676.5	683.9	690.5	696.4	701.8	706.6	710.9	714.8	718.4
LT receivables	21.1	21.1	21.1	21.1	21.1	21.1	21.1	21.1	21.1	21.1
LT investments	585.7	585.7	585.7	585.7	585.7	585.7	585.7	585.7	585.7	585.7
LT deferred assets	21.4	21.4	21.4	21.4	21.4	21.4	21.4	21.4	21.4	21.4
Others	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
<b>Current assets</b>	<b>4,384.8</b>	<b>4,095.6</b>	<b>3,682.6</b>	<b>3,817.5</b>	<b>3,971.5</b>	<b>4,072.3</b>	<b>4,115.9</b>	<b>4,141.2</b>	<b>4,195.4</b>	<b>4,251.4</b>
Inventories	464.0	378.7	332.2	336.2	343.7	350.8	353.4	351.8	357.5	363.4
Accounts receivable	1,411.6	1,009.9	886.0	896.6	916.6	935.4	942.4	938.2	953.4	969.1
Accounts receivable – construction contracts	1,224.8	1,009.9	701.4	709.8	725.7	740.5	746.1	742.8	754.8	767.2
ST deferred assets	145.9	136.8	136.8	136.8	136.8	136.8	136.8	136.8	136.8	136.8
Cash & equivalents	586.3	1,008.2	1,074.1	1,186.1	1,296.6	1,356.7	1,385.2	1,419.5	1,440.7	1,462.9
Loans	493.0	493.0	493.0	493.0	493.0	493.0	493.0	493.0	493.0	493.0
Other assets	59.1	59.1	59.1	59.1	59.1	59.1	59.1	59.1	59.1	59.1
<b>Total assets</b>	<b>6,626.7</b>	<b>6,537.7</b>	<b>6,132.0</b>	<b>6,273.5</b>	<b>6,433.5</b>	<b>6,539.6</b>	<b>6,588.1</b>	<b>6,617.7</b>	<b>6,675.8</b>	<b>6,735.3</b>
<b>Equity</b>	<b>1,723.4</b>	<b>2,348.7</b>	<b>2,488.2</b>	<b>2,578.9</b>	<b>2,662.0</b>	<b>2,691.1</b>	<b>2,687.9</b>	<b>2,683.8</b>	<b>2,686.0</b>	<b>2,688.2</b>
<b>Minorities</b>	<b>605.7</b>	<b>636.4</b>	<b>675.2</b>	<b>723.8</b>	<b>777.2</b>	<b>821.5</b>	<b>860.8</b>	<b>897.4</b>	<b>934.2</b>	<b>971.1</b>
<b>Liabilities &amp; provisions</b>	<b>4,297.6</b>	<b>3,552.6</b>	<b>2,968.6</b>	<b>2,970.8</b>	<b>2,994.3</b>	<b>3,027.0</b>	<b>3,039.3</b>	<b>3,036.5</b>	<b>3,055.6</b>	<b>3,076.0</b>
LT Liabilities	724.8	724.8	724.8	724.8	724.8	724.8	724.8	724.8	724.8	724.8
Non-interest-bearing	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0
Interest-bearing	620.0	620.0	620.0	620.0	620.0	620.0	620.0	620.0	620.0	620.0
Provisions	49.8	49.8	49.8	49.8	49.8	49.8	49.8	49.8	49.8	49.8
ST liabilities	3,546.6	2,801.5	2,217.6	2,219.7	2,243.2	2,275.9	2,288.3	2,285.4	2,304.6	2,325.0
Trade payables	1,614.2	1,318.1	878.0	879.8	899.0	925.8	935.9	933.6	949.2	966.0
Accounts payable – construction contracts	216.2	188.3	65.0	65.2	66.6	68.6	69.3	69.2	70.3	71.5
Other non-interest bearing	64.3	64.3	64.3	64.3	64.3	64.3	64.3	64.3	64.3	64.3
Interest-bearing	1,399.3	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
Provisions	252.6	230.7	210.2	210.4	213.3	217.2	218.7	218.4	220.7	223.1
Deferred liabilities	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3
<b>Total liabilities and equity</b>	<b>6,626.7</b>	<b>6,537.7</b>	<b>6,132.0</b>	<b>6,273.5</b>	<b>6,433.5</b>	<b>6,539.6</b>	<b>6,588.1</b>	<b>6,617.7</b>	<b>6,675.8</b>	<b>6,735.3</b>

Source: Company, DM IDMSA estimates



Fig. 10 PBG; Income statement

PLN m	2011	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
<b>Sales</b>	<b>3,733.8</b>	<b>4,208.0</b>	<b>3,691.5</b>	<b>3,735.6</b>	<b>3,819.3</b>	<b>3,897.4</b>	<b>3,926.6</b>	<b>3,909.3</b>	<b>3,972.7</b>	<b>4,037.8</b>
COGS	-3,317.4	-3,766.1	-3,252.0	-3,258.6	-3,329.8	-3,428.8	-3,466.2	-3,457.6	-3,515.6	-3,575.2
Gross profit on sales	416.4	441.9	439.5	477.1	489.5	468.6	460.4	451.7	457.1	462.6
Selling costs	-9.7	-20.0	-17.5	-17.8	-18.2	-18.5	-18.7	-18.6	-18.9	-19.2
General administration costs	-129.2	-144.0	-126.8	-127.1	-129.9	-133.7	-135.2	-134.8	-137.1	-139.4
<b>Net profit on sales</b>	<b>277.6</b>	<b>277.9</b>	<b>295.1</b>	<b>332.2</b>	<b>341.5</b>	<b>316.4</b>	<b>306.5</b>	<b>298.3</b>	<b>301.1</b>	<b>304.0</b>
Other operating income	113.4	17.5	22.9	24.9	27.3	29.2	30.2	30.9	31.5	31.9
Other operating costs	-54.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>336.2</b>	<b>295.4</b>	<b>318.0</b>	<b>357.1</b>	<b>368.8</b>	<b>345.6</b>	<b>336.7</b>	<b>329.2</b>	<b>332.6</b>	<b>335.9</b>
<b>Adj EBIT</b>	<b>294.8</b>	<b>277.9</b>	<b>295.1</b>	<b>332.2</b>	<b>341.5</b>	<b>316.4</b>	<b>306.5</b>	<b>298.3</b>	<b>301.1</b>	<b>304.0</b>
Financial income	27.5	-17.5	-22.9	-24.9	-27.3	-29.2	-30.2	-30.9	-31.5	-31.9
Financial costs	-87.6	-90.2	-80.3	-80.3	-80.3	-80.3	-80.3	-80.3	-80.3	-80.3
Other	-4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax income</b>	<b>271.3</b>	<b>187.7</b>	<b>214.8</b>	<b>251.9</b>	<b>261.1</b>	<b>236.0</b>	<b>226.2</b>	<b>218.0</b>	<b>220.8</b>	<b>223.6</b>
Income tax	-49.1	-31.9	-36.5	-42.8	-44.4	-40.1	-38.5	-37.1	-37.5	-38.0
Minority Interest in net income	-15.7	-30.7	-38.8	-48.6	-53.4	-44.3	-39.3	-36.6	-36.8	-36.9
<b>Net income</b>	<b>206.5</b>	<b>125.0</b>	<b>139.5</b>	<b>160.5</b>	<b>163.4</b>	<b>151.6</b>	<b>148.4</b>	<b>144.3</b>	<b>146.5</b>	<b>148.7</b>
<b>Adj net income</b>	<b>178.4</b>	<b>125.0</b>	<b>139.5</b>	<b>160.5</b>	<b>163.4</b>	<b>151.6</b>	<b>148.4</b>	<b>144.3</b>	<b>146.5</b>	<b>148.7</b>
<b>Adj EBITDA</b>	<b>355.9</b>	<b>348.7</b>	<b>366.8</b>	<b>404.6</b>	<b>414.5</b>	<b>390.0</b>	<b>380.7</b>	<b>373.0</b>	<b>376.2</b>	<b>379.4</b>

Source: Company, DM IDMSA estimates

Fig. 11 PBG; Cash flow

PLN m	2011	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Pre-tax profit (loss)	271.3	187.7	214.8	251.9	261.1	236.0	226.2	218.0	220.8	223.6
Depreciation and amortization	61.1	70.8	71.7	72.4	73.0	73.6	74.2	74.7	75.1	75.5
NWC change:	-774.2	365.2	-104.9	-20.8	-20.0	-8.0	-2.8	6.1	-13.8	-13.5
Change in inventories	-125.5	85.3	46.5	-4.0	-7.5	-7.0	-2.6	1.6	-5.7	-5.9
Change in trade receivables	152.2	401.7	124.0	-10.6	-20.1	-18.8	-7.0	4.1	-15.2	-15.6
Change in trade payables	-13.6	-296.0	-440.1	1.8	19.2	26.7	10.1	-2.3	15.7	16.8
Change in deferred assets/liabilities	-15.0	-12.8	-20.6	0.3	2.8	4.0	1.5	-0.3	2.3	2.4
Change in receivables/payables – construction contracts	-772.3	187.0	185.3	-8.3	-14.5	-12.9	-4.8	3.1	-10.9	-11.2
Other	-54.6	75.9	66.7	62.4	63.3	69.4	72.1	74.1	74.3	74.3
<b>Operating cash flow</b>	<b>-496.4</b>	<b>699.6</b>	<b>248.2</b>	<b>365.9</b>	<b>377.4</b>	<b>371.1</b>	<b>369.6</b>	<b>372.9</b>	<b>356.3</b>	<b>359.9</b>
Capital expenditures	-115.9	-79.0	-79.0	-79.0	-79.0	-79.0	-79.0	-79.0	-79.0	-79.0
M&A capex	-79.7	-192.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	45.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Investing cash flow</b>	<b>-150.0</b>	<b>-271.0</b>	<b>-79.0</b>	<b>-79.0</b>	<b>-79.0</b>	<b>-79.0</b>	<b>-79.0</b>	<b>-79.0</b>	<b>-79.0</b>	<b>-79.0</b>
Change in interest-bearing debt	614.5	-399.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends payment	-20.0	0.0	0.0	-69.7	-80.2	-122.5	-151.6	-148.4	-144.3	-146.5
Interest	-100.8	-107.8	-103.3	-105.2	-107.7	-109.5	-110.5	-111.2	-111.8	-112.3
Equity issue proceeds	2.9	500.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Financing cash flow</b>	<b>496.6</b>	<b>-6.8</b>	<b>-103.3</b>	<b>-174.9</b>	<b>-187.9</b>	<b>-232.0</b>	<b>-262.1</b>	<b>-259.6</b>	<b>-256.1</b>	<b>-258.7</b>
<b>Total cash flow</b>	<b>-149.8</b>	<b>421.9</b>	<b>66.0</b>	<b>111.9</b>	<b>110.6</b>	<b>60.1</b>	<b>28.5</b>	<b>34.3</b>	<b>21.3</b>	<b>22.1</b>

Source: Company, DM IDMSA estimates

Fig. 12 PBG; Ratios

	2011	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Sales growth (yoy)	36%	13%	-12%	1%	2%	2%	1%	0%	2%	2%
Gross profit on sales growth (yoy)	22%	6%	-1%	9%	3%	-4%	-2%	-2%	1%	1%
Adj EBITDA growth (yoy)	44%	-2%	5%	10%	2%	-6%	-2%	-2%	1%	1%
Adj operating profit growth (yoy)	3%	-6%	6%	13%	3%	-7%	-3%	-3%	1%	1%
Adj net income growth (yoy)	-6%	-30%	12%	15%	2%	-7%	-2%	-3%	2%	2%
A/R turnover days	216	207	184	161	160	160	161	162	161	160
Inventory turnover days	42	41	40	37	37	37	37	37	37	37
A/P turnover days	181	173	151	119	117	117	118	118	117	117
Cash cycle days	77	74	73	80	80	81	81	81	80	80
NWC/Sales	35%	22%	27%	27%	27%	27%	27%	27%	27%	27%
Gross margin	11.2%	10.5%	11.9%	12.8%	12.8%	12.0%	11.7%	11.6%	11.5%	11.5%
Adj EBITDA margin	9.5%	8.3%	9.9%	10.8%	10.9%	10.0%	9.7%	9.5%	9.5%	9.4%
Adj EBIT margin	7.9%	6.6%	8.0%	8.9%	8.9%	8.1%	7.8%	7.6%	7.6%	7.5%
Adj pre-tax margin	7.3%	4.5%	5.8%	6.7%	6.8%	6.1%	5.8%	5.6%	5.6%	5.5%
Adj net margin	4.8%	3.0%	3.8%	4.3%	4.3%	3.9%	3.8%	3.7%	3.7%	3.7%
Adj ROE	14.4%	8.8%	7.9%	8.7%	8.7%	8.1%	8.0%	8.0%	8.3%	8.6%
Adj ROA	3.1%	1.9%	2.2%	2.6%	2.6%	2.3%	2.3%	2.2%	2.2%	2.2%
Current ratio	1.2	1.5	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8
Quick ratio	1.1	1.3	1.5	1.6	1.6	1.6	1.6	1.7	1.7	1.7
Adj net debt/Adj EBITDA	4.6	2.3	2.0	1.6	1.3	1.2	1.1	1.1	1.0	0.9

Source: Company, DM IDMSA estimates



## BASIC DEFINITIONS

**A/R turnover** (in days) =  $365/(\text{sales}/\text{average A/R})$

**Inventory turnover** (in days) =  $365/(\text{COGS}/\text{average inventory})$

**A/P turnover** (in days) =  $365/(\text{COGS}/\text{average A/P})$

**Current ratio** =  $(\text{current assets} - \text{ST deferred assets})/\text{current liabilities}$

**Quick ratio** =  $(\text{current assets} - \text{ST deferred assets} - \text{inventory})/\text{current liabilities}$

**Interest coverage** =  $(\text{pre-tax profit before extraordinary items} + \text{interest payable})/\text{interest payable}$

**Gross margin** =  $\text{gross profit on sales}/\text{sales}$

**EBITDA margin** =  $\text{EBITDA}/\text{sales}$

**EBIT margin** =  $\text{EBIT}/\text{sales}$

**Pre-tax margin** =  $\text{pre-tax profit}/\text{sales}$

**Net margin** =  $\text{net profit}/\text{sales}$

**ROE** =  $\text{net profit}/\text{average equity}$

**ROA** =  $(\text{net income} + \text{interest payable})/\text{average assets}$

**EV** =  $\text{market capitalization} + \text{interest bearing debt} - \text{cash and equivalents}$

**EPS** =  $\text{net profit}/\text{no. of shares outstanding}$

**CE** =  $\text{net profit} + \text{depreciation}$

**Dividend yield** (gross) =  $\text{pre-tax DPS}/\text{stock market price}$

**Cash sales** =  $\text{accrual sales corrected for the change in A/R}$

**Cash operating expenses** =  $\text{accrual operating expenses corrected for the changes in inventories and A/P, depreciation, cash taxes and changes in the deferred taxes}$

DM IDM S.A. generally values the covered non bank companies via two methods: comparative method and DCF method (discounted cash flows). The advantage of the former is the fact that it incorporates the current market assessment of the value of the company's peers. The weakness of the comparative method is the risk that the valuation benchmark may be mispriced. The advantage of the DCF method is its independence from the current market valuation of the comparable companies. The weakness of this method is its high sensitivity to undertaken assumptions, especially those related to the residual value calculation. Please note that we also resort to other valuation techniques (e.g. NAV-, DDM- or SOTP-based), should it prove appropriate in a given case.

## KEY TO INVESTMENT RANKINGS

This is a guide to expected price performance in absolute terms over the next 12 months:

**Buy** – fundamentally undervalued (upside to 12M EFV in excess of the cost of equity) + catalysts which should close the valuation gap identified;

**Hold** – either (i) fairly priced, or (ii) fundamentally undervalued/overvalued but lacks catalysts which could close the valuation gap;

**Sell** – fundamentally overvalued (12M EFV < current share price + 1-year cost of equity) + catalysts which should close the valuation gap identified.

This is a guide to expected relative price performance:

**Overweight** – expected to perform better than the benchmark (WIG) over the next quarter in relative terms

**Neutral** – expected to perform in line with the benchmark (WIG) over the next quarter in relative terms

**Underweight** – expected to perform worse than the benchmark (WIG) over the next quarter in relative terms

The recommendation tracker presents the performance of DM IDMSA's recommendations. A recommendation expires on the day it is altered or on the day 12 months after its issuance, whichever comes first. Relative performance compares the rate of return on a given recommended stock in the period of the recommendation's validity (i.e. from the date of issuance to the date of alteration or – in case of maintained recommendations – from the date of issuance to the current date) in a relation to the rate of return on the benchmark in this time period. The WIG index constitutes the benchmark. For recommendations that expire by an alteration or are maintained, the ending values used to calculate their absolute and relative performance are: the stock closing price on the day the recommendation expires/ is maintained and the closing value of the benchmark on that date. For recommendations that expire via a passage of time, the ending values used to calculate their absolute and relative performance are: the average of the stock closing prices for the day the recommendation elapses and four directly preceding sessions and the average of the benchmark's closing values for the day the recommendation expires and four directly preceding sessions.

## Banks

**Net Interest Margin (NIM)** =  $\text{net interest income}/\text{average assets}$

**NIM Adjusted** =  $(\text{net interest income adjusted for SWAPs})/\text{average assets}$

**Non interest income** =  $\text{fees\&commissions} + \text{result on financial operations (trading gains)} + \text{FX gains}$

**Interest Spread** =  $(\text{interest income}/\text{average interest earning assets})/(\text{interest cost}/\text{average interest bearing liabilities})$

**Cost/Income** =  $(\text{general costs} + \text{depreciation} + \text{other operating costs})/(\text{profit on banking activity} + \text{other operating income})$

**ROE** =  $\text{net profit}/\text{average equity}$

**ROA** =  $\text{net income}/\text{average assets}$

**Non performing loans (NPL)** = loans in 'substandard', 'doubtful' and 'lost' categories

**NPL coverage ratio** =  $\text{loan loss provisions}/\text{NPL}$

**Net provision charge** =  $\text{provisions created} - \text{provisions released}$

DM IDM S.A. generally values the covered banks via two methods: comparative method and fundamental target fair P/E and target fair P/BV multiples method. The advantage of the former is the fact that it incorporates the current market assessment of the value of the company's peers. The weakness of the comparative method is the risk that the valuation benchmark may be mispriced. The advantage of the fundamental target fair P/E and target fair P/BV multiples method is its independence of the current market valuation of the comparable companies. The weakness of this method is its high sensitivity to undertaken assumptions, especially those related to the residual value calculation.

Assumptions used in valuation can change, influencing thereby the level of the valuation. Among the most important assumptions are: GDP growth, forecasted level of inflation, changes in interest rates and currency prices, employment level and change in wages, demand on the analysed company products, raw material prices, competition, standing of the main customers and suppliers, legislation changes, etc.

Changes in the environment of the analysed company are monitored by analysts involved in the preparation of the recommendation, estimated, incorporated in valuation and published in the recommendation whenever needed.

LT fundamental recommendation tracker

Recommendation		Issue date	Reiteration date	Expiry date	Performance	Relative performance	Price at issue/reiteration (PLN)	12M EFV (PLN)	
<b>PBG</b>									
Hold	-	06.02.2008	-	30.11.2008	-26%	30%	281.60	319.00	-
-	→	-	17.02.2008	-	-	-	317.90	319.00	→
-	→	-	21.02.2008	-	-	-	326.70	352.00	↑
-	→	-	30.03.2008	-	-	-	325.00	358.00	↑
-	→	-	14.04.2008	-	-	-	311.00	357.00	↓
-	→	-	29.04.2008	-	-	-	318.00	361.00	↑
-	→	-	15.05.2008	-	-	-	315.00	361.00	→
-	→	-	01.06.2008	-	-	-	318.00	361.00	→
-	→	-	29.06.2008	-	-	-	268.00	356.00	↓
-	→	-	08.07.2008	-	-	-	238.00	348.00	↓
-	→	-	28.07.2008	-	-	-	245.00	348.00	→
-	→	-	04.08.2008	-	-	-	248.00	348.00	→
-	→	-	31.08.2008	-	-	-	238.00	348.00	→
-	→	-	28.09.2008	-	-	-	232.00	348.00	→
-	→	-	19.10.2008	-	-	-	192.10	305.00	↓
-	→	-	29.10.2008	-	-	-	191.50	305.00	→
-	→	-	06.11.2008	-	-	-	198.30	305.00	→
Buy	↑	30.11.2008	-	16.07.2009	5%	-10%	208.00	305.00	→
-	→	-	11.01.2009	-	-	-	211.50	305.00	→
-	→	-	25.01.2009	-	-	-	192.90	279.00	↓
-	→	-	08.02.2009	-	-	-	208.50	279.00	→
-	→	-	08.03.2009	-	-	-	207.00	279.00	→
-	→	-	05.04.2009	-	-	-	205.00	279.00	→
-	→	-	29.04.2009	-	-	-	209.10	242.00	↓
-	→	-	12.05.2009	-	-	-	208.30	242.00	→
-	→	-	17.05.2009	-	-	-	206.00	242.00	→
-	→	-	08.06.2009	-	-	-	221.30	242.00	→
-	→	-	08.07.2009	-	-	-	215.20	242.00	→
Hold	↓	16.07.2009	-	14.06.2010	2%	-21%	218.50	242.00	→
-	→	-	02.08.2009	-	-	-	226.00	242.00	→
-	→	-	31.08.2009	-	-	-	222.00	242.00	→
-	→	-	12.10.2009	-	-	-	212.60	242.00	→
-	→	-	25.10.2009	-	-	-	233.30	225.00	↓
-	→	-	14.12.2009	-	-	-	214.00	225.00	→
-	→	-	07.01.2010	-	-	-	209.80	225.00	→
-	→	-	03.02.2010	-	-	-	209.00	225.00	→
-	→	-	01.03.2010	-	-	-	199.50	225.00	→
-	→	-	29.03.2010	-	-	-	215.00	225.00	→
-	→	-	04.05.2010	-	-	-	234.00	246.00	↑
-	→	-	09.05.2010	-	-	-	228.00	244.60	↓
-	→	-	17.05.2010	-	-	-	218.00	244.60	→
Hold	→	14.06.2010	-	16.05.2011	-37%	-47%	220.90	244.60	→
-	→	-	19.07.2010	-	-	-	220.00	244.60	→
-	→	-	31.08.2010	-	-	-	227.00	244.60	→
-	→	-	12.10.2010	-	-	-	234.00	244.60	→
-	→	-	01.11.2010	-	-	-	217.00	244.60	→
-	→	-	15.11.2010	-	-	-	219.00	244.60	→
-	→	-	15.12.2010	-	-	-	217.90	244.60	→
-	→	-	02.01.2011	-	-	-	213.00	244.60	→
-	→	-	28.01.2011	-	-	-	203.90	244.60	→
-	→	-	01.03.2011	-	-	-	195.00	244.60	→
-	→	-	24.03.2011	-	-	-	183.70	244.60	→
-	→	-	20.04.2011	-	-	-	164.00	244.60	→
Hold	→	16.05.2011	-	06.06.2011	1%	1%	140.00	244.60	→
Under revision	-	06.06.2011	-	17.07.2011	4%	7%	142.00	Under revision	-
-	→	-	20.06.2011	-	-	-	150.40	Under revision	-
Hold	-	17.07.2011	-	03.10.2011	-59%	-48%	148.10	152.90	-
-	→	-	25.07.2011	-	-	-	147.00	152.90	→
-	→	-	31.08.2011	-	-	-	95.00	106.40	↓
-	→	-	15.09.2011	-	-	-	64.10	105.00	↓
Buy	↑	03.10.2011	-	01.01.2012	21%	21%	58.90	99.50	↓
-	→	-	24.10.2011	-	-	-	84.35	99.50	→
-	→	-	26.10.2011	-	-	-	83.90	99.50	→
-	→	-	14.11.2011	-	-	-	92.00	99.50	→
-	→	-	11.12.2011	-	-	-	70.85	99.50	→
-	→	-	14.12.2011	-	-	-	69.70	99.50	→
Hold	↓	01.01.2012	-	15.03.2012	-37%	-44%	71.00	99.50	→
-	→	-	25.01.2012	-	-	-	76.90	99.50	→
-	→	-	29.02.2012	-	-	-	64.15	99.50	→
Buy	↑	15.03.2012	-	Not later than 15.03.2013	-	-	44.75	59.20	↓

Market-relative recommendation tracker

Relative recommendation		Issue date	Reiteration date	Expiry date	Price at issue/ reiteration (PLN)	Relative performance
<b>PBG</b>						
Overweight	-	06.02.2008	-	11.01.2009	281.60	30%
-	→	-	17.02.2008	-	317.90	-
-	→	-	21.02.2008	-	326.70	-
-	→	-	30.03.2008	-	325.00	-
-	→	-	14.04.2008	-	311.00	-
-	→	-	29.04.2008	-	318.00	-
-	→	-	15.05.2008	-	315.00	-
-	→	-	01.06.2008	-	318.00	-
-	→	-	29.06.2008	-	268.00	-
-	→	-	08.07.2008	-	238.00	-
-	→	-	28.07.2008	-	245.00	-
-	→	-	04.08.2008	-	248.00	-
-	→	-	31.08.2008	-	238.00	-
-	→	-	28.09.2008	-	232.00	-
-	→	-	19.10.2008	-	192.10	-
-	→	-	29.10.2008	-	191.50	-
-	→	-	06.11.2008	-	198.30	-
-	→	-	30.11.2008	-	208.00	-
Overweight	→	11.01.2009	-	25.10.2009	211.50	-24%
-	→	-	25.01.2009	-	192.90	-
-	→	-	08.02.2009	-	208.50	-
-	→	-	08.03.2009	-	207.00	-
-	→	-	05.04.2009	-	205.00	-
-	→	-	29.04.2009	-	209.10	-
-	→	-	12.05.2009	-	208.30	-
-	→	-	17.05.2009	-	206.00	-
-	→	-	08.06.2009	-	221.30	-
-	→	-	08.07.2009	-	215.20	-
-	→	-	16.07.2009	-	218.50	-
-	→	-	02.08.2009	-	226.00	-
-	→	-	31.08.2009	-	222.00	-
-	→	-	12.10.2009	-	212.60	-
Neutral	↓	25.10.2009	-	12.10.2010	233.30	-11%
-	→	-	14.12.2009	-	214.00	-
-	→	-	07.01.2010	-	209.80	-
-	→	-	03.02.2010	-	209.00	-
-	→	-	01.03.2010	-	199.50	-
-	→	-	29.03.2010	-	215.00	-
-	→	-	04.05.2010	-	234.00	-
-	→	-	09.05.2010	-	228.00	-
-	→	-	17.05.2010	-	218.00	-
-	→	-	14.06.2010	-	220.90	-
-	→	-	19.07.2010	-	220.00	-
-	→	-	31.08.2010	-	227.00	-
Neutral	→	12.10.2010	-	02.01.2011	234.00	-13%
-	→	-	01.11.2010	-	217.00	-
-	→	-	15.11.2010	-	219.00	-
-	→	-	15.12.2010	-	217.90	-
Underweight	↓	02.01.2011	-	06.06.2011	213.00	-36%
-	→	-	28.01.2011	-	203.90	-
-	→	-	01.03.2011	-	195.00	-
-	→	-	24.03.2011	-	183.70	-
-	→	-	20.04.2011	-	164.00	-
-	→	-	16.05.2011	-	140.00	-
Under revision	-	06.06.2011	-	17.07.2011	142.00	7%
-	→	-	20.06.2011	-	150.40	-
Neutral	-	17.07.2011	-	31.08.2011	148.10	-27%
-	→	-	25.07.2011	-	147.00	-
Overweight	↑	31.08.2011	-	14.12.2011	95.00	-18%
-	→	-	15.09.2011	-	64.10	-
-	→	-	03.10.2011	-	58.90	-
-	→	-	24.10.2011	-	84.35	-
-	→	-	26.10.2011	-	83.90	-
-	→	-	14.11.2011	-	92.00	-
-	→	-	11.12.2011	-	70.85	-
Neutral	↓	14.12.2011	-	15.03.2012	69.70	-43%
-	→	-	01.01.2012	-	71.00	-
-	→	-	25.01.2012	-	76.90	-
-	→	-	29.02.2012	-	64.15	-
Overweight	↑	15.03.2012	-	Not later than 15.03.2013	44.75	-

Distribution of IDM's current recommendations

	Buy	Hold	Sell	Suspended	Under revision
Numbers	27	41	8	0	0
Percentage	36%	54%	11%	0%	0%

Distribution of IDM's current recommendations for companies that were within the last 12M IDM customers in investment banking

	Buy	Hold	Sell	Suspended	Under revision
Numbers	2	3	1	0	0
Percentage	33%	50%	17%	0%	0%

Distribution of IDM's current market relative recommended weightings

	Overweight	Neutral	Underweight	Suspended	Under revision
Numbers	30	29	17	0	0
Percentage	39%	38%	22%	0%	0%

Distribution of IDM's current market relative recommended weightings for the companies that were within the last 12M IDM customers in investment banking

	Overweight	Neutral	Underweight	Suspended	Under revision
Numbers	2	2	2	0	0
Percentage	33%	33%	33%	0%	0%

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