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Quarterly Earnings Forecast: Q2 2015

Equity Market

Financial Sector

Polish banks are set to report a slowdown in Q2 2015 relative to the previous quarter led by reduced interest rates and base effects. We expect relatively good results from ING BSK and PKO BP in Poland and from Erste Bank abroad. The insurer PZU is likely to post a contraction in Q2 due to lower investment income.

Gas & Oil

The 2015 second-quarter results of European refiners should reflect the excellent macro conditions observed in the period, expected to drive profits to record levels, additionally supported by positive LIFO effects. For PGNiG natural gas we anticipate quarter-on-quarter contraction in the trade business, exposing the fragility of the drivers behind the recent share price gains.

Power Producers

The Q2 2015 results of power producers will be influenced by a variety of onetime events, however on an adjusted basis we expect the strongest performance from PGE and Enea, while Energa will lag behind.

Telecoms, Media, IT

We expect weak Q2 showings from Polish telecoms, with EBITDA at Orange Polska, Netia, and Cyfrowy Polsat showing year-on-year falls of 8-9%. At Asseco the Q2 slowdown experienced by the Polish operations will be offset by record sales generated by international operations. Agora is expected to report improved EBITDA despite a slowdown in the cinema business.

Resources

At the current levels prices of commodity stocks already reflect a weak Q3 outlook. Q2 results in the sector will still be steady compared to Q2 2014.

Industrials

We expect to see year-on-year growth at 53% of the 49 industrial companies we track in Q2 2015, with only 14% reporting a slowdown. We anticipate positive surprises from ACE, BSC Drukarnia, Elemental Holding, Feerum, Kruszewica, Pozbud, SecoWarwick, Synthos, Tarczyński, and Uniwheels, and we expect disappointing Q2 reports from AC SA, Cognor, Famur, Kopex, Patentus, and Zamet.

Construction

Most construction firms are expected to report continued earnings expansion in Q2, with Elektrobudowa, Budimex, Elektrotim, and Torpol leading the bill.

Property Developers

Most residential developers except LC Corp reported few closings in Q2 which will result in low profits for the period. The quarterly profits of commercial developers will benefit from a strong euro.

Retail

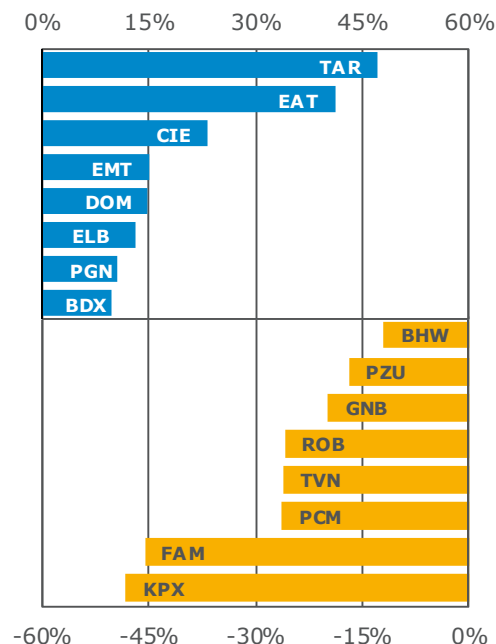
We expect year-on-year growth from AmRest and CCC in Q2. At the same time we anticipate flat growth from Eurocash and Jeronimo Martins, and we think LPP will report a marked slowdown relative to Q2 2014.

Other

Work Service will report weak results for Q2 2015 led by German operations.

WIG	51,698
Average 2015E P/E	13.9
Average 2016E P/E	12.3
ADTV (3M)	PLN 787m

EPS growth at selected companies*



*calculated for: 3Q'14-2Q'15 / 2Q'14-1Q'15

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List of abbreviations and ratios contained in the report.

EV – net debt + market value (EV – economic value)
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
PBA – Profit on Banking Activity
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

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

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