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Quarterly Earnings Forecast: Q3 2015

Equity Market

Financial Sector

We expect the Polish bank sector to deliver revenue growth across the board in Q3 2015. On a less positive note the earnings of regional banks are currently under pressure following the passing of Swiss-franc loan conversion into euros by the Croatian parliament. We anticipate positive Q3 earnings surprises from PKO BP and PZU in Poland and from Erste Bank and Komercni Banka elsewhere.

Gas & Oil

The Q3 2015 earnings of Polish refiners should reflect the robust market fundamentals observed in the period, though the bottom-line profits will be weighed down by one-time events and downward inventory adjustments. At PGNiG we expect to see a squeeze on trading margins.

Power Producers

We expect strong Q3 2015 earnings from PGE (benefitting from higher sales prices) and Enea (whose Q2 bottom line will be boosted by PPA compensation). On the other hand we anticipate a slowdown at Energa (due to lower hydroelectric power volumes) and CEZ (plant downtime).

Telecoms, Media, IT

We expect good 2015 third-quarter earnings from Cyfrowy Polsat, Agora, and Wirtualna Polska, and we think Netia will deliver growth thanks to the consolidation of TK Telekom. A flat y/y bottom-line at Asseco should be welcomed by the market.

Resources

The Q3 2015 profits of coal miners will be negatively impacted by falling commodity prices. KGHM is set to present the first-ever earnings report for Sierra Gorda, showing a high net loss. JSW reversed charges totaling PLN 208m in Q3.

Industrials

Of the 49 industrial companies tracked by us, we expect 39% to report year-on-year growth in their earnings results for Q3 2015, with 27% reporting a slowdown. We would identify Alumetal, Berling, Feerum, Forte, Elemental, Relpol, and Uniwheels as the top performers of the Q3 earnings season, and we anticipate negative surprises from Alchemia, Boryszew, Famur, Impexmetal, Kernel, Kopex, Patentus and Radpol.

Construction

From a higher year-ago base, we believe the Polish construction sector will deliver earnings growth of an average 10-20% in Q3 2015. The companies reporting improvement on a year-on-year basis are likely to include Elektrotim, Herkules, Torpol, ZUE, Ulma, Budimex, and Unibep.

Property Developers

In the real-estate sector we expect to see marked Q3 2015 earnings growth at Robyng (driven by higher closings and a tax one-off) and at Capital Park (which is growing its income-generating commercial rental area). Polish developers are poised for peak earnings in the fourth quarter.

Retail

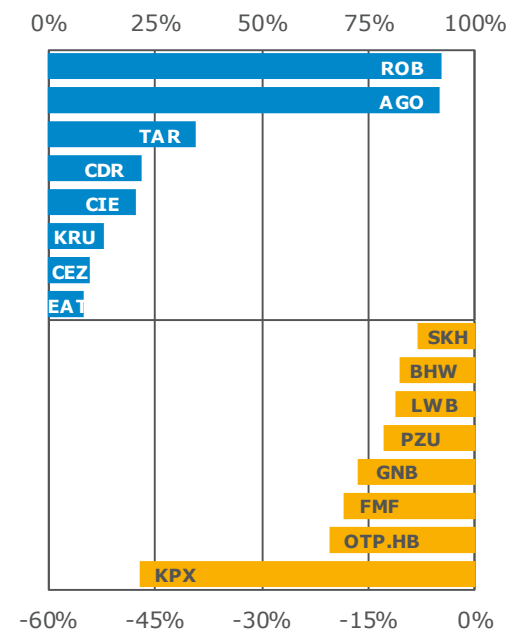
The Q3 2013 profits of fashion retailers were depressed by high dollar costs of merchandise, stiff competition, and unfavorable weather. In turn AmRest, Eurocash, and Jeronimo Martins should all deliver strong quarterly results.

Other

Work Service is expected to report flat EBIT growth in Q3 2015.

WIG	51,094
Average 2015E P/E	14.1
Average 2016E P/E	12.9
ADTV (3M)	PLN 822m

EPS growth at selected companies*



*calculated for: Q4'14-Q3'15 / Q3'14-Q2'15

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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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