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## Quarterly Earnings Forecast: Q4 2015

### Equity Market

#### Financial Sector

The Q4 2015 earnings results of Polish banks and the insurer PZU will be negatively impacted by a string of one-off charges. For banks these included upfront contributions to cover the insured deposits of the failed SK Bank and payments into the FX mortgage relief fund. In case of PZU we will see a write-off against the investment in Alior Bank. The Q4 earnings of other CEE banks were not affected by any major one-time charges, however they will most likely reflect seasonal pressures.

#### Gas & Oil

Polish refiners continued to generate high margins in Q4 2015, but their income for the period will be weighed down by inventory write-offs. The Hungarian energy company MOL and the Polish natgas group PGNiG as well will book asset impairment losses against the quarterly profits.

#### Power Producers

The Q4 2015 results of Polish power producers were shaped by the same trends as observed in the preceding quarters, except for profits on distribution which may be dampened by operating costs carried forward from prior periods.

#### Telecoms, Media, IT

Media companies enjoyed a solid fourth quarter of 2015, at Wirtualna Polska supported by high demand for online advertising, at and Agora driven by strong box office revenue. The telecom Netia and the IT provider Asseco Poland are expected to post improved results as well, while Orange is set to report a slowdown.

#### Resources

KGHM Copper eyes its biggest quarterly loss in history in Q4 2015 due to low commodity prices and impairment losses. The quarterly net profit of the coal producer LW Bogdanka should be similar to the figure posted in Q3.

#### Industrials

Our Q4 2015 estimates for the industrial companies under coverage and 'soft' coverage indicate that 47% of them saw growth, and 35% experienced a slowdown in the period relative to Q4 2014, representing improvement from the previous quarter. We anticipate the strongest growth at Berling, Elemental Holding, Feerum, Forte, Grupa Azoty, Oponeo, Pozbud, and Uniwheels. In turn we predict Alchemia, Boryszew, Kopex, Synthos, and PKM Duda will report falling profits.

#### Construction

Six out of the ten construction companies we watch are expected to report profit contraction in Q4 2015, with year-on-year growth anticipated at Elektrotim (+169%), Herkules (+54%), and Budimex (+15%). The aggregate quarterly income is likely to show a 3% rise.

#### Property Developers

Commercial developers will deliver strong profit growth in Q4 2015 supported by positive base effects. Among residential developers, Polnord is likely to book massive impairment losses against the quarterly income.

#### Retail

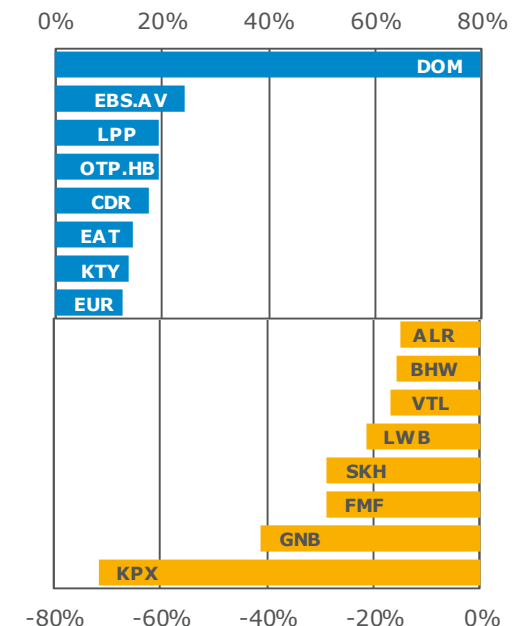
The Q4 2015 profits of food retailers were supported by a deceleration in the annual deflation rate combined with positive base effects. The restaurant operator AmRest and the fashion retailer LPP are expected to post year-on-year improvement, while the profits of the footwear retailer CCC were hurt by unfavorable weather conditions.

#### Other

Work Service is expected to report continued contraction in profits in Q4 2015 led by its German operations.

WIG ..... 43,742  
Average 2015E P/E..... 13.6  
Average 2016E P/E..... 11.4  
ADTV (3M) ..... PLN 752m

#### EPS growth at selected companies\*



\*calculated for: Q1'15-Q4'15 / Q4'14-Q3'15

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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/B** – (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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