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# Quarterly Earnings Forecast: Q2 2018

## Equity Market

### Financials

Polish banks experienced strong growth in retail loan originations in Q2 2018, coupled with a slight recovery in interest margins, but the positive effects of this will be mitigated by normalized cost of risk and rising operating costs (driven mainly by payroll and IT expenses). We expect PKO BP and Handlowy to stand out with above-average earnings, and outside of Poland we see solid showings from Erste Bank and Komerční Banka.

### Chemicals

Under pressure from rising costs of natural gas, the 2018 Q2 profits of both rated chemical producers, Grupa Azoty and Ciech, are set to show strong falls from the comparable year-ago period.

### Oil & Gas

Gas and oil companies with substantial E&P portfolios (PGNiG, MOL) saw their Q2 2018 earnings potential buoyed by rising prices of both fuels. On the flip side, refining profits registered a slump which, however, will probably be obscured by positive LIFO effects.

### Power Utilities

Rated power generators are expected to achieve 51% of our 2018 FY aggregate earnings forecast in the first half of the year. Profits in Q2 were shaped by further improvement in distribution alongside worsened trading results due to high prices of spot power and renewable energy certificates.

### Telecoms, Media, IT

We anticipate flat y/y growth in the Q2 EBITDA of TMT companies, due in part to the negative impact of IFRS 15. IT firms, in particular Comarch, Asseco Poland, and its listed unit Asseco Business Solutions, are set for a solid season. On the other hand, the mobile telecom Play is expected to report a 10% y/y fall in EBITDA, and Agora media might disappoint after a 20% drop in ticket sales experienced by its subsidiary cinema chain.

### Industrials & Mining

The 2018 Q2 earnings of industrial firms were reinforced by positive base effects and a weaker zloty. We expect 67% of rated companies to report year-over-year growth for the quarter, with only 33% set to post declines. We see the most potential for positive surprises in Alumetal, Amica, Cognor, Famur, Kernel, and Tarczyński, and we would look out for disappointments from Boryszew, Ergis, Forte, and Impexmetal. In mining, the coal producer JSW is set to report flat growth in recurring Q2 figures, with a one-time setback of PLN 370m weighing on the reported bottom line. At KGHM copper, planned smelter outages might result in 20% EBITDA shrinkage.

### Construction

On increasing revenues, Polish construction firms are set to report falling profits in Q2 2018 on top of a seasonal debt ramp-up.

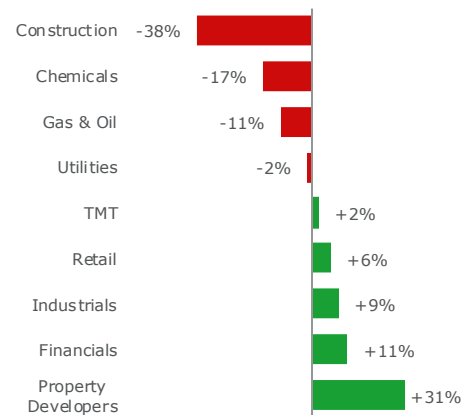
### Property Developers

Polish developers are expected to deliver strong 2018 Q2 results, driven by a 50% surge from the year-ago period in the number of homes completed in the period, coupled with the euro's 3.6% appreciation versus the zloty. LC Corp and Atal will probably be the leaders of the Q2 earnings season.

### Retail

The March timing of the 2018 Easter Holidays means slower 2018 Q2 like-for-like growth for the grocery retailers Jeronimo Martins, Eurocash, and Dino Polska. AmRest restaurants had its annual growth rate curbed by higher costs generated by new acquisitions. The menswear brand Bytom might deliver a standout Q2 showing.

### YoY earnings growth by sector: Q2'18E\*



\*Net earnings for banks, adj. EBIT for developers, otherwise EBITDA

| Earnings Surprise Prediction |                      |
|------------------------------|----------------------|
| negative                     | positive             |
| <b>Agora</b>                 | <b>Alumetal</b>      |
| <b>AmRest</b>                | <b>Amica</b>         |
| <b>Boryszew</b>              | <b>Asseco BS</b>     |
| <b>Dino</b>                  | <b>Asseco Poland</b> |
| <b>Enea</b>                  | <b>Bytom</b>         |
| <b>Ergis</b>                 | <b>Cognor</b>        |
| <b>Forte</b>                 | <b>Comarch</b>       |
| <b>PKN Orlen</b>             | <b>Erste Bank</b>    |
| <b>Play</b>                  | <b>Kernel</b>        |
| <b>Tauron</b>                | <b>LC Corp</b>       |
|                              | <b>PGNiG</b>         |
|                              | <b>PKO BP</b>        |

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## Banks

### A strong quarter at PKO BP

- PKO is on track to fulfill its PLN 3.5bn FY2018 guidance looking at improving margins, high retail lending, and cost discipline.

| Alior Bank          |        | Buy        |     | Reporting Date |      |
|---------------------|--------|------------|-----|----------------|------|
| Michał Konarski     |        | PLN 109.00 |     | 9 August       |      |
| (PLN m)             | Q2'18E | Q1'18      | Q/Q | Y/Y            | YTD* |
| Net interest income | 747.2  | 731.2      | 2%  | 4%             | 47%  |
| Net fee income      | 115.0  | 113.8      | 1%  | -3%            | 49%  |
| Total income        | 992.9  | 1005.0     | -1% | 3%             | 48%  |
| Operating costs     | -416.8 | -458.4     | -9% | -17%           | 54%  |
| Provisioning        | -259.8 | -240.5     | 8%  | 1%             | 48%  |
| Net profit          | 183.4  | 171.1      | 7%  | 83%            | 37%  |

| BZ WBK              |        | Buy        |      | Reporting Date |      |
|---------------------|--------|------------|------|----------------|------|
| Michał Konarski     |        | PLN 430.00 |      | 25 July        |      |
| (PLN m)             | Q2'18E | Q1'18      | Q/Q  | Y/Y            | YTD* |
| Net interest income | 1396.7 | 1389.8     | 0%   | 7%             | 48%  |
| Net fee income      | 522.8  | 515.1      | 1%   | 5%             | 46%  |
| Total income        | 2091.5 | 2002.3     | 4%   | 7%             | 48%  |
| Operating costs     | -846.4 | -945.0     | -10% | 4%             | 51%  |
| Provisioning        | -231.4 | -223.0     | 4%   | 131%           | 61%  |
| Net profit          | 600.6  | 438.7      | 37%  | -8%            | 41%  |

| Getin Noble Bank    |        | Hold     |      | Reporting Date |      |
|---------------------|--------|----------|------|----------------|------|
| Michał Konarski     |        | PLN 1.40 |      | 27 September   |      |
| (PLN m)             | Q2'18E | Q1'18    | Q/Q  | Y/Y            | YTD* |
| Net interest income | 298.0  | 296.9    | 0%   | -9%            | -9%  |
| Net fee income      | 35.7   | 35.4     | 1%   | -12%           | 5%   |
| Total income        | 331.1  | 331.7    | 0%   | -28%           | -4%  |
| Operating costs     | -221.6 | -262.2   | -15% | 5%             | 1%   |
| Provisioning        | -191.2 | -119.4   | 60%  | -42%           | -62% |
| Net profit          | -62.4  | -47.7    | 31%  | -8%            | -    |

| Handlowy            |        | Buy       |      | Reporting Date |      |
|---------------------|--------|-----------|------|----------------|------|
| Michał Konarski     |        | PLN 94.00 |      | 23 August      |      |
| (PLN m)             | Q2'18E | Q1'18     | Q/Q  | Y/Y            | YTD* |
| Net interest income | 286.1  | 277.2     | 3%   | 5%             | 48%  |
| Net fee income      | 143.0  | 141.6     | 1%   | -2%            | 47%  |
| Total income        | 549.9  | 567.2     | -3%  | 2%             | 49%  |
| Operating costs     | -291.4 | -346.1    | -16% | 5%             | 50%  |
| Provisioning        | -17.7  | -5.5      | 220% | -20%           | 27%  |
| Net profit          | 171.9  | 145.8     | 18%  | 0%             | 50%  |

| ING BSK             |        | Buy        |      | Reporting Date |      |
|---------------------|--------|------------|------|----------------|------|
| Michał Konarski     |        | PLN 212.00 |      | 2 August       |      |
| (PLN m)             | Q2'18E | Q1'18      | Q/Q  | Y/Y            | YTD* |
| Net interest income | 901.8  | 880.9      | 2%   | 6%             | 47%  |
| Net fee income      | 321.3  | 318.1      | 1%   | 10%            | 51%  |
| Total income        | 1252.0 | 1256.9     | 0%   | 5%             | 49%  |
| Operating costs     | -546.4 | -628.3     | -13% | 7%             | 53%  |
| Provisioning        | -113.8 | -94.8      | 20%  | -8%            | 43%  |
| Net profit          | 382.2  | 322.2      | 19%  | 6%             | 45%  |

| Millennium          |        | Reduce   |     | Reporting Date |      |
|---------------------|--------|----------|-----|----------------|------|
| Michał Konarski     |        | PLN 7.00 |     | 26 July        |      |
| (PLN m)             | Q2'18E | Q1'18    | Q/Q | Y/Y            | YTD* |
| Net interest income | 441.3  | 428.3    | 3%  | 5%             | 48%  |
| Net fee income      | 169.1  | 172.5    | -2% | 4%             | 50%  |
| Total income        | 678.8  | 667.4    | -2% | -5%            | 49%  |
| Operating costs     | -304.1 | -330.2   | 8%  | -5%            | 48%  |
| Provisioning        | -57.2  | -50.8    | 13% | -9%            | 39%  |
| Net profit          | 186.7  | 155.3    | 20% | 8%             | 47%  |

| Pekao               |        | Buy        |     | Reporting Date |      |
|---------------------|--------|------------|-----|----------------|------|
| Michał Konarski     |        | PLN 157.00 |     | 8 August       |      |
| (PLN m)             | Q2'18E | Q1'18      | Q/Q | Y/Y            | YTD* |
| Net interest income | 1233.9 | 1205.7     | 2%  | 9%             | 49%  |
| Net fee income      | 602.8  | 588.1      | 3%  | 4%             | 49%  |
| Total income        | 1893.9 | 1854.4     | 2%  | 8%             | 50%  |
| Operating costs     | -933.7 | -1025.8    | -9% | 13%            | 54%  |
| Provisioning        | -137.1 | -127.0     | 8%  | 19%            | 42%  |
| Net profit          | 527.4  | 392.3      | 34% | -1%            | 42%  |

\*as a percentage of our full-year forecast

### ...and Erste Bank

- Erste might revise its >10% ROTE guidance for 2018 after a successful second quarter.

- Flat q/q NIM growth on 2% higher NII.
- A 1% q/q rise in fee income.
- 8% q/q expansion in risk reserves resulting in higher cost of risk at 184bp.
- A 15% y/y drop in total costs thanks to synergy created by BPH merger.

- An 0.5% q/q uptick in net interest income.
- A 6bp q/q drop in NIM related to deposits.
- A 4% y/y increase in opex led by payroll, rebranding, and costs related to the Deutsche Bank acquisition.
- Stable cost of risk at 80bp.

- NII flat on a slightly higher loan volume.
- One-time impairment to the tune of PLN 60m will weigh.
- A 10% q/q increase in risk reserves.
- Flat q/q opex not counting a PLN 40m annual payment in Q1 into the restructuring fund.

- NII growth of 3% q/q and 5% y/y accompanied by q/q NIM expansion of 3bp.
- Operating costs reduced to PLN 291m.
- A q/q drop to PLN 111m in quarterly trading income.
- Provisioning normalized at PLN 17.7m, with cost of risk at 37bp.

- A 2bp q/q uptick in NIM accompanied by 2.4% growth in NII.
- A 10% y/y rebound in fee income thanks among others to higher card fees.
- A 7% y/y increase in operating expenses due in part to higher payroll.
- Normalization of cost of risk at 48bp implies a 20% q/q surge in provisioning.

- NII growth of 3.0% q/q and 4.9% y/y, driven by 3.4% y/y expansion in lending volumes and a 3bp increase in NIM.
- A 2% q/q decline in fee income led by lower insurance fees.
- Provisioning 12.5% higher than in Q1 at PLN 57.2m, but cost of risk stable at 45bp.

- Net interest income up 2.3% q/q and 8.6% y/y.
- NIM expected to rise by 3bp q/q.
- Costs of voluntary turnover weighing to the tune of PLN 50m.
- A small q/q rise in cost of risk from 38bp to 41bp.

| <b>PKO BP</b>          | <b>Hold</b>      |              | <b>Reporting Date</b> |            |             |
|------------------------|------------------|--------------|-----------------------|------------|-------------|
| <b>Michał Konarski</b> | <b>PLN 38.00</b> |              | <b>28 August</b>      |            |             |
| <b>(PLN m)</b>         | <b>Q2'18E</b>    | <b>Q1'18</b> | <b>Q/Q</b>            | <b>Y/Y</b> | <b>YTD*</b> |
| Net interest income    | 2290.2           | 2218.0       | 3%                    | 8%         | 49%         |
| Net fee income         | 742.9            | 737.0        | 1%                    | 1%         | 48%         |
| Total income           | 3301.9           | 3268.0       | 1%                    | 2%         | 49%         |
| Operating costs        | -1443.6          | -1579.0      | -9%                   | 5%         | 49%         |
| Provisioning           | -386.4           | -336.0       | 15%                   | -1%        | 42%         |
| Net profit             | 905.5            | 757.0        | 20%                   | 6%         | 50%         |

| <b>Erste Bank</b>      | <b>Accumulate</b> |              | <b>Reporting Date</b> |            |             |
|------------------------|-------------------|--------------|-----------------------|------------|-------------|
| <b>Michał Konarski</b> | <b>EUR 40.00</b>  |              | <b>31 July</b>        |            |             |
| <b>(EUR m)</b>         | <b>Q2'18E</b>     | <b>Q1'18</b> | <b>Q/Q</b>            | <b>Y/Y</b> | <b>YTD*</b> |
| Net interest income    | 1104.3            | 1082.6       | 2%                    | 1%         | 49%         |
| Net fee income         | 476.2             | 478.6        | -1%                   | 5%         | 50%         |
| Total income           | 1664.7            | 1603.6       | 4%                    | 2%         | 49%         |
| Operating costs        | -999.0            | -1065.0      | -6%                   | 1%         | 50%         |
| Provisioning           | 5.4               | 54.4         | -90%                  | -          | -46%        |
| Net profit             | 466.8             | 332.6        | 40%                   | 29%        | 57%         |

| <b>Komerční Banka</b>  | <b>Buy</b>          |              | <b>Reporting Date</b> |            |             |
|------------------------|---------------------|--------------|-----------------------|------------|-------------|
| <b>Michał Konarski</b> | <b>CZK 1,111.00</b> |              | <b>2 August</b>       |            |             |
| <b>(CZK m)</b>         | <b>Q2'18E</b>       | <b>Q1'18</b> | <b>Q/Q</b>            | <b>Y/Y</b> | <b>YTD*</b> |
| Net interest income    | 5389.1              | 5349.0       | 1%                    | 5%         | 45%         |
| Net fee income         | 1640.5              | 1505.0       | 9%                    | -1%        | 47%         |
| Total income           | 7753.9              | 7571.0       | 2%                    | -1%        | 46%         |
| Operating costs        | -3410.5             | -4060.0      | -16%                  | 2%         | 51%         |
| Provisioning           | 66.4                | 83.0         | -                     | 249%       | -11%        |
| Net profit             | 3589.2              | 2999.0       | 20%                   | -1%        | 46%         |

## Financial Services

### PCM still under pressure

- PCM is expected to post zero profit from remarketing again in Q2 2018.

| <b>Kruk</b>            | <b>Buy</b>        |              | <b>Reporting Date</b> |            |             |
|------------------------|-------------------|--------------|-----------------------|------------|-------------|
| <b>Michał Konarski</b> | <b>PLN 300.94</b> |              | <b>9 September</b>    |            |             |
| <b>(PLN m)</b>         | <b>Q2'18E</b>     | <b>Q1'18</b> | <b>Q/Q</b>            | <b>Y/Y</b> | <b>YTD*</b> |
| Total revenue          | 302.5             | 285.3        | 6%                    | 7%         | 48%         |
| Purchased Debt         | 281.5             | 264.4        | 6%                    | 7%         | 49%         |
| Collection Svcs        | 14.7              | 14.5         | 1%                    | 0%         | 48%         |
| Dir. & indir. costs    | 135.4             | 121.0        | 12%                   | 21%        | 49%         |
| Gross profit           | 167.1             | 164.3        | 2%                    | -2%        | 48%         |
| Operating profit       | 122.7             | 120.0        | 2%                    | -5%        | 49%         |
| Pre-tax income         | 87.7              | 89.5         | -2%                   | -17%       | 45%         |
| Net profit             | 85.9              | 90.7         | -5%                   | -15%       | 50%         |

| <b>PCM</b>             | <b>Buy</b>       |              | <b>Reporting Date</b> |            |             |
|------------------------|------------------|--------------|-----------------------|------------|-------------|
| <b>Michał Konarski</b> | <b>PLN 15.54</b> |              | <b>29 August</b>      |            |             |
| <b>(PLN m)</b>         | <b>Q2'18E</b>    | <b>Q1'18</b> | <b>Q/Q</b>            | <b>Y/Y</b> | <b>YTD*</b> |
| Lease revenue          | 37.1             | 37.2         | 0%                    | 5%         | 52%         |
| Leasing fees           | 74.2             | 73.5         | 1%                    | 18%        | 50%         |
| Interest revenue       | 14.7             | 14.5         | 2%                    | 15%        | 50%         |
| Total revenue          | 177.3            | 177.0        | 0%                    | 17%        | 53%         |
| Service costs          | 64.9             | 63.2         | 3%                    | 22%        | 50%         |
| Total costs            | 168.5            | 168.6        | 0%                    | 21%        | 53%         |
| Remarketing            | 0.5              | 0.5          | 0%                    | -13%       | 55%         |
| Net profit             | 6.7              | 6.5          | 4%                    | -30%       | 62%         |

\*as a percentage of our full-year forecast

- NII growth of 3% q/q and 8% y/y driven by a 7bp q/q increase in NIM and higher loan volumes.
- Solid trading income boosted by dividends.
- Normalization of cost of risk at 71bp implies a 15% q/q increase in provisioning.
- A PLN 60m charge related to a potential fine for violation of consumer disclosure rules recognized under other operating activity.

- A 2% q/q rise in net interest income thanks to a longer quarter.
- One-time charges recognized in Q1 came up to a total of EUR 142m.
- Expecting net reversals of EUR 5m.
- A 36% q/q drop in banking taxes.

- Net interest income up 0.8% q/q and 4.7% y/y.
- Continuing charge reversals of CZK 66m.
- Operating costs down 16% q/q but up 1.7% y/y.
- A decrease in income of subsidiaries due to a one-time gain in Q1 (ca. CZK 80m).

### Kruk on track to fulfil EPS guidance

- Not even a slight Q2 slowdown can stop Kruk from achieving the 15% EPS growth targeted in 2018.

- Anticipating PLN 281.5m in revenue from purchased portfolios after a PLN 20m boost from adjustments to Polish and Romanian receivables.
- Portfolio expenditure in Q2 reported at PLN 282m against recoveries of PLN 401m.
- A 12% q/q increase in direct and indirect costs due to a court case in Italy.
- A 15% rise in financing expenses driven by a weaker zloty.

- 2% q/q growth in the vehicle fleet.
- Stable revenues accompanied by slight downward pressure on margins.
- Stable income from remarketing at PLN 0.5m.
- SG&A expenses down 5% q/q but up 15% y/y.
- PCM is expected to deliver 62% of our FY earnings forecast in H1 2018.

## Chemicals, Gas & Oil

- In Refining, upstream profits will soar thanks to upward-trending zloty prices of gas and oil, but downstream profits are set for a fall amid worsened market conditions.

| <b>Ciech</b><br>Jakub Szkopek | Buy<br>PLN 81.14 |       | Reporting Date<br>26 September |        |      |
|-------------------------------|------------------|-------|--------------------------------|--------|------|
| (PLN m)                       | Q2'18E           | Q1'18 | Y/Y                            | 2018E  | YTD* |
| Revenue                       | 915.2            | 883.0 | 4%                             | 3761.5 | 48%  |
| EBITDA                        | 170.0            | 191.3 | -11%                           | 802.9  | 42%  |
| EBITDA margin                 | 18.6%            | 21.7% |                                | 21.3%  |      |
| EBIT                          | 106.6            | 131.7 | -19%                           | 548.2  | 38%  |
| Pre-tax profit                | 97.7             | 122.3 | -20%                           | 505.1  | 34%  |
| Net profit                    | 77.9             | 93.1  | -16%                           | 396.3  | 20%  |

| <b>Grupa Azoty</b><br>Jakub Szkopek | Hold<br>PLN 44.40 |        | Reporting Date<br>28 August |        |      |
|-------------------------------------|-------------------|--------|-----------------------------|--------|------|
| (PLN m)                             | Q2'18E            | Q1'18  | Y/Y                         | 2018E  | YTD* |
| Revenue                             | 2331.9            | 2182.3 | 7%                          | 9630.6 | 50%  |
| EBITDA                              | 207.7             | 261.3  | -21%                        | 1109.2 | 55%  |
| EBITDA margin                       | 8.9%              | 12.0%  |                             | 11.5%  |      |
| EBIT                                | 46.4              | 123.2  | -62%                        | 609.0  | 47%  |
| Pre-tax profit                      | 41.4              | 120.1  | -66%                        | 570.2  | 49%  |
| Net profit                          | 28.1              | 104.6  | -73%                        | 297.8  | 67%  |

| <b>Polwax</b><br>Kamil Kliszcz | Buy<br>PLN 16.69 |       | Reporting Date<br>6 September |       |      |
|--------------------------------|------------------|-------|-------------------------------|-------|------|
| (PLN m)                        | Q2'18E           | Q1'18 | Y/Y                           | 2018E | YTD* |
| Revenue                        | 50.5             | 52.2  | -3%                           | 302.7 | 33%  |
| EBITDA                         | 4.5              | 5.2   | -14%                          | 26.0  | 28%  |
| EBIT                           | 3.2              | 4.0   | -19%                          | 21.3  | 23%  |
| Financing activity             | 0.0              | 3.9   | -                             | -2.3  | -    |
| Net profit                     | 2.6              | 3.1   | -16%                          | 15.3  | 26%  |

| <b>Lotos</b><br>Kamil Kliszcz | Hold<br>PLN 52.51 |       | Reporting Date<br>9 August |       |      |
|-------------------------------|-------------------|-------|----------------------------|-------|------|
| (PLN m)                       | Q2'18E            | Q1'17 | Y/Y                        | 2018E | YTD* |
| Revenue                       | 7,464             | 5,455 | 37%                        | 29156 | 47%  |
| EBITDA LIFO adj.              | 680               | 690   | -1%                        | 2,453 | 50%  |
| LIFO effects                  | 184               | -137  | -                          | 280   | -    |
| EBITDA                        | 854               | 384   | 123%                       | 2,648 | 56%  |
| EBIT                          | 671               | 173   | 288%                       | 1,793 | 62%  |
| Financing activity            | -153              | 96    | -                          | -401  | 25%  |
| Net profit                    | 347               | 157   | 120%                       | 812   | 82%  |

| <b>MOL</b><br>Kamil Kliszcz | Accumulate<br>HUF 2,995 |        | Reporting Date<br>3 August |        |      |
|-----------------------------|-------------------------|--------|----------------------------|--------|------|
| (HUF bn)                    | Q2'18E                  | Q1'17  | Y/Y                        | 2018E  | YTD* |
| Revenue                     | 1354.4                  | 1025.6 | 32%                        | 4948.5 | 48%  |
| LIFO EBITDA adj.            | 174.7                   | 192.7  | -9%                        | 598.5  | 56%  |
| LIFO effect                 | 27.7                    | -19.1  | -                          | 29.3   | 81%  |
| EBITDA                      | 202.4                   | 178.2  | 14%                        | 627.8  | 57%  |
| EBIT                        | 116.7                   | 106.4  | 10%                        | 326.5  | 57%  |
| Financing activity          | -5.5                    | 11.7   | -                          | -7.1   | 88%  |
| Net profit                  | 87.1                    | 88.8   | -2%                        | 223.4  | 66%  |

| <b>PGNiG</b><br>Kamil Kliszcz | Buy<br>PLN 8.28 |       | Reporting Date<br>22 August |        |      |
|-------------------------------|-----------------|-------|-----------------------------|--------|------|
| (PLN m)                       | Q2'18E          | Q1'17 | Y/Y                         | 2018E  | YTD* |
| Revenue                       | 8,321           | 7,165 | 16%                         | 38,650 | 56%  |
| EBITDA adj.                   | 1,715           | 1,411 | 22%                         | 8,502  | 52%  |
| EBITDA                        | 1,715           | 1,408 | 22%                         | 8,502  | 52%  |
| EBIT                          | 1,080           | 768   | 41%                         | 5,798  | 53%  |
| Financing activity            | -34             | -14   | -                           | -54    | -    |
| Net profit                    | 784             | 499   | 57%                         | 4,199  | 56%  |

| <b>PKN Orlen</b><br>Kamil Kliszcz | Reduce<br>PLN 76.84 |        | Reporting Date<br>20 July |        |      |
|-----------------------------------|---------------------|--------|---------------------------|--------|------|
| (PLN m)                           | Q2'18E              | Q1'17  | Y/Y                       | 2018E  | YTD* |
| Revenue                           | 27,590              | 23,025 | 20%                       | 109725 | 46%  |
| EBITDA LIFO adj.                  | 1,941               | 2,755  | -30%                      | 6,741  | 56%  |
| LIFO effects                      | 638                 | -344   | -                         | 607    | -    |
| EBITDA                            | 2,661               | 2,701  | -1%                       | 7,433  | 63%  |
| EBIT                              | 2,035               | 2,120  | -4%                       | 4,808  | 72%  |
| Financing activity                | -351                | 3      | -                         | -381   | -    |
| Net profit                        | 1,364               | 1,541  | -12%                      | 3,586  | 67%  |

\*as a percentage of our full-year forecast

- In Chemicals, we anticipate continued year-over-year shrinkage in profits due to higher costs of energy commodities, but relative to the previous quarter profits might improve thanks to a slightly weaker zloty.

- Ciech experienced a slowdown in Q2 due to higher costs of natural gas and an outage at the German soda factory.

- As a result, we might see a 19% y/y slump in the recurring EBITDA for the quarter, potentially prompting a downward revision to the FY target to ca. PLN 750m.

- A dramatic drop to an estimated PLN 12m from PLN 124m in the comparable year-ago period in EBITDA from Fertilizers driven by higher costs of natural gas and weaker demand from overstocked distributors.

- On the other hand, we anticipate y/y improvement in the Plastics business (owed to a better market for caprolactam and polyamides) and the Chemicals business (led by melamine and titanium white).

- Polwax is poised for a rebound in the second half of 2018, but Q2 profits will show further contraction from the year-ago results underpinned by a lower sales volume.

- The rebound in prices of paraffin wax observed from July means EBITDA growth should catch up in the coming months to fulfill our FY forecast.

- Anticipating a slight y/y decline in adjusted LIFO EBITDA.

- EBITDA from E&P will rise to PLN 237m from PLN 213m in Q2'17, less than TTF month-ahead natgas quotes would suggest due to settlements in Norway at spot prices.

- LIFO EBITDA from Downstream will drop to PLN 0.38bn from PLN 0.44bn a year ago due to unfavorable inventory adjustments.

- FX and hedging losses will weigh on the quarterly income from financing activity.

- A 9% drop in LIFO EBITDA led by Downstream.

- CCS EBITDA from refining down to HUF 39bn from 54bn in Q2'17 due to worsened market conditions and FX movements. In Petchem, a drop from HUF 37.5bn to 23.9bn, additionally fueled by tighter margins.

- Upstream EBITDA rising from HUF 64bn to 81.8bn on higher prices and volumes, alongside tight cost discipline.

- Continued growth at an annual rate of 15% in EBITDA from Retail.

- A rebound in E&P EBITDA to PLN 1.24bn from PLN 0.87bn a year ago, driven by higher prices of oil and gas.

- A higher EBITDA loss in Trade (PLN -0.2bn vs. -0.27bn) due to a lack of price hedging on intercompany natgas purchases.

- In Distribution, a small decline from PLN 0.69bn to PLN 0.62bn in Q2 EBITDA led by a revised tariff.

- EBITDA from Heat set to narrow slightly on higher costs.

- 30% EBITDA slump from the comparable year-ago figure.

- Refining LIFO EBITDA shrunken to PLN 0.93bn from 1.24bn in Q2'17 due to worsened market conditions and plant downtime; LIFO effects positive at ca. PLN 0.6bn.

- Petchem EBITDA tightened to PLN 0.5bn from 0.9bn on lower benchmark margins and higher costs of gas.

- Further growth in Retail (+10%), and a small rebound in E&P on higher oil prices.

- Income from financing activity depressed by FX losses.



## Utilities & Mining

- The power sector is set to fulfill 51% of our 2018 FY aggregate earnings forecast in H1 after a lackluster second quarter marked by tightened profits from trading and generation.

| CEZ<br>Kamil Kliszcz | Sell<br>CZK 440.96 |        |      | Reporting Date<br>7 August |      |
|----------------------|--------------------|--------|------|----------------------------|------|
| (CZK m)              | Q2'18E             | Q2'17  | Y/Y  | 2018E                      | YTD* |
| Revenue              | 43,945             | 48,061 | -9%  | 205,271                    | 44%  |
| EBITDA adj.          | 11,701             | 11,882 | -2%  | 52,548                     | 56%  |
| EBITDA               | 11,701             | 13,341 | -12% | 52,548                     | 56%  |
| EBIT                 | 4,557              | 5,586  | -18% | 23,859                     | 63%  |
| Financing activity   | -1,626             | 3,185  | -    | -6,083                     | 51%  |
| Net profit           | 2,374              | 7,745  | -69% | 14,251                     | 67%  |

| Enea<br>Kamil Kliszcz | Buy<br>PLN 12.62 |       |      | Reporting Date<br>13 September |      |
|-----------------------|------------------|-------|------|--------------------------------|------|
| (PLN m)               | Q2'18E           | Q2'17 | Y/Y  | 2018E                          | YTD* |
| Revenue               | 2,999            | 2,857 | 5%   | 12,232                         | 49%  |
| EBITDA adj.           | 643              | 699   | -8%  | 2,845                          | 47%  |
| EBITDA                | 643              | 692   | -7%  | 2,845                          | 47%  |
| EBIT                  | 285              | 399   | -29% | 1,431                          | 44%  |
| Financing activity    | -62              | -33   | -    | -194                           | 49%  |
| Net profit            | 163              | 286   | -43% | 919                            | 44%  |

| Energa<br>Kamil Kliszcz | Buy<br>PLN 15.58 |       |     | Reporting Date<br>9 August |      |
|-------------------------|------------------|-------|-----|----------------------------|------|
| (PLN m)                 | Q2'18E           | Q2'17 | Y/Y | 2018E                      | YTD* |
| Revenue                 | 2,367            | 2,487 | -5% | 11,287                     | 44%  |
| EBITDA adj.             | 530              | 495   | 7%  | 2,268                      | 51%  |
| EBITDA                  | 530              | 542   | -2% | 2,268                      | 51%  |
| EBIT                    | 402              | 300   | 34% | 1,249                      | 63%  |
| Financing activity      | -84              | -82   | -   | -225                       | 58%  |
| Net profit              | 258              | 174   | 48% | 800                        | 67%  |

| PGE<br>Kamil Kliszcz | Buy<br>PLN 13.60 |       |      | Reporting Date<br>7 August |      |
|----------------------|------------------|-------|------|----------------------------|------|
| (PLN m)              | Q2'18E           | Q2'17 | Y/Y  | 2018E                      | YTD* |
| Revenue              | 5,833            | 4,879 | 20%  | 26,025                     | 50%  |
| EBITDA adj.          | 1,554            | 1,485 | 5%   | 7,509                      | 50%  |
| EBITDA               | 1,568            | 1,496 | 5%   | 7,509                      | 50%  |
| EBIT                 | 669              | 731   | -9%  | 4,132                      | 48%  |
| Financing activity   | -70              | -67   | -    | -298                       | 54%  |
| Net profit           | 442              | 533   | -17% | 3,056                      | 45%  |

| Tauron<br>Kamil Kliszcz | Buy<br>PLN 2.76 |       |      | Reporting Date<br>22 August |      |
|-------------------------|-----------------|-------|------|-----------------------------|------|
| (PLN m)                 | Q2'18E          | Q2'17 | Y/Y  | 2018E                       | YTD* |
| Revenue                 | 4,087           | 4,166 | -2%  | 18,029                      | 49%  |
| EBITDA adj.             | 814             | 951   | -14% | 3,435                       | 54%  |
| EBITDA                  | 814             | 909   | -10% | 3,665                       | 57%  |
| EBIT                    | 398             | 464   | -14% | 1,938                       | 66%  |
| Financing activity      | -168            | -42   | -    | -254                        | -    |
| Net profit              | 186             | 364   | -49% | 1,325                       | 62%  |

| JSW<br>Jakub Szkopek | Buy<br>PLN 107.00 |       |      | Reporting Date<br>23 August |      |
|----------------------|-------------------|-------|------|-----------------------------|------|
| (PLN m)              | Q2'18E            | Q2'17 | Y/Y  | 2018E                       | YTD* |
| Revenue              | 2,344             | 2,318 | 1%   | 9,580                       | 51%  |
| EBITDA adj.          | 862               | 925   | -7%  | 3,482                       | 56%  |
| EBITDA               | 492               | 912   | -46% | 3,201                       | 51%  |
| EBITDA margin        | 21.0%             | 39.4% |      | 33.4%                       |      |
| EBIT                 | 286               | 696   | -59% | 2,722                       | 43%  |
| Net profit           | 219               | 566   | -61% | 2,206                       | 41%  |

| KGHM<br>Jakub Szkopek | Buy<br>PLN 112.92 |       |      | Reporting Date<br>16 September |      |
|-----------------------|-------------------|-------|------|--------------------------------|------|
| (PLN m)               | Q2'18E            | Q2'17 | Y/Y  | 2018E                          | YTD* |
| Revenue               | 4,574             | 4,802 | -5%  | 20,459                         | 43%  |
| EBITDA adj.           | 1,037             | 1,282 | -19% | 5,134                          | 43%  |
| EBITDA margin         | 22.7%             | 26.7% |      | 25.1%                          |      |
| EBIT adj.             | 609               | 881   | -31% | 3,484                          | 41%  |
| Net profit adj.       | 496               | 93    | 434% | 2,429                          | 39%  |

\*as a percentage of our full-year forecast

- Q2 profits of miners benefitted from high prices of metals and coal, paired with the zloty's decline against the dollar. The benefits will be mitigated by one-time bonus payments in case of JSW and planned outages in case of KGHM.

- Stable adjusted EBITDA vs. the year-ago quarter thanks to an increase from CZK 3.2bn to CZK 3.4bn in EBITDA from Generation on a higher nuclear output and rising prices.
- Price-driven improvement in EBITDA from Renewables.
- Flat growth in Distribution accompanied by y/y contraction in Trading EBITDA to CZK 0.9bn from CZK 1.5bn due to downward pressure on margins and negative base effects.

- A y/y decline in Generation EBITDA from PLN 225m to PLN 205m due to reduced power plant availability and increased costs of biomass, carbon, and coal freight.
- A drop from PLN 54m to PLN 24m in Trading EBITDA blamed on a raised volume quota subject to the exchange obligation.
- An uptick in Distribution EBITDA, along with a small rise in Mining EBITDA owed to a higher coal volume.

- Energa puts the Q2 preliminary EBITDA at PLN 530m.
- Distribution EBITDA rebounded by PLN 81m to PLN 481m.
- High spot power prices squeezed Trading EBITDA to PLN 4m from PLN 21m a year ago.
- Generation EBITDA posted a y/y decrease from PLN 73m to an estimated PLN 57m.
- A PLN 116m boost to EBIT expected after a reversal of provisions for wind farm claims.

- Predicting Y/Y growth from PLN 620m to PLN 710m in Generation EBITDA thanks to acquisitions curbed by higher costs of coal and carbon allowances.
- Continued expansion in quarterly Distribution EBITDA.
- Higher EBITDA from Renewables at PLN 98m vs. PLN 78m a year ago as higher prices will have offset lower volumes.
- Trading EBITDA down from PLN 179m to PLN 132m under pressure from high spot prices and green certificates.

- PLN 46m EBITDA loss in Mining (vs. PLN 25m year-ago profit) on a low reported coal volume.
- Y/Y drop from PLN 116m to PLN 71m in Generation EBITDA due lower heat sales and higher costs of coal.
- A repeat of the Q1 6% y/y EBITDA rebound in Distribution.
- A fall from PLN 165m to 140m in Trading EBITDA.
- Losses on FX loan adjustments recognized in financing activity.

- A small, 1.2% rise in the quarterly sales volume of coal accompanied by a 5.3% decline in the coke volume.
- Mining cash cost up 8% year on year at an estimated PLN 316/t.
- Revenue supported by a 13% y/y rebound in the zloty prices of coking coal.
- Bottom line depressed by a one-time retroactive bonus payout in the amount of PLN 370m.

- KGHM experienced falls in Q2 sales volumes relative to the comparable year-ago period (-8% copper, -10% silver, -20% gold), but the impact will be mitigated by a rebound in the zloty prices of the core metals (+13% copper, +4% gold, +45% molybdenum).
- Continuing smelter downtime, coupled with concentrate sales at lower prices than cathode, will weigh.

TMT

Telecoms lag, IT companies gain ground in Q2

- Anticipating flat y/y growth in the aggregate EBITDA of telecoms.
- IFRS 15 will again weigh on the sector's profits.

| Netia<br>Paweł Szpigiel | Reduce<br>PLN 4.30 |       |     | Reporting Date<br>9 August |      |
|-------------------------|--------------------|-------|-----|----------------------------|------|
| (PLN m)                 | Q2'18E             | Q2'17 | Y/Y | 2018E                      | YTD* |
| Revenue                 | 339.7              | 361.2 | -6% | 1392.8                     | 49%  |
| EBITDA                  | 91.5               | 98.9  | -7% | 354.8                      | 52%  |
| EBITDA margin           | 26.9%              | 27.4% |     | 25.5%                      |      |
| EBIT                    | 19.9               | 20.3  | -2% | 60.2                       | 69%  |
| Pre-tax profit          | 18.8               | 19.2  | -2% | 45.7                       | 87%  |
| Net profit              | 15.2               | 15.2  | 0%  | 37.0                       | 98%  |

| Orange Polska<br>Paweł Szpigiel | Buy<br>PLN 7.60 |        |      | Reporting Date<br>24 July |      |
|---------------------------------|-----------------|--------|------|---------------------------|------|
| (PLN m)                         | Q2'18E          | Q2'17  | Y/Y  | 2018E                     | YTD* |
| Revenue                         | 2711.0          | 2839.0 | -5%  | 11297                     | 48%  |
| EBITDA                          | 683.0           | 812.0  | -16% | 3069.0                    | 44%  |
| EBITDA margin                   | 25.2%           | 28.6%  |      | 27.2%                     |      |
| EBIT                            | 43.0            | 169.0  | -75% | 647.0                     | 12%  |
| Pre-tax profit                  | -22.0           | 83.0   | -    | 369.8                     | -    |
| Net profit                      | -22.0           | 71.0   | -    | 299.5                     | -    |

| Play<br>Paweł Szpigiel | Reduce<br>PLN 23.50 |        |      | Reporting Date<br>13 August |      |
|------------------------|---------------------|--------|------|-----------------------------|------|
| (PLN m)                | Q2'18E              | Q2'17  | Y/Y  | 2018E                       | YTD* |
| Revenue                | 1666.3              | 1628.7 | 2%   | 6808.6                      | 49%  |
| EBITDA                 | 530.3               | 340.8  | 56%  | 2144.3                      | 49%  |
| EBITDA margin          | 31.8%               | 20.9%  |      | 31.5%                       |      |
| EBIT                   | 338.8               | 122.1  | 177% | 1362.6                      | 48%  |
| Pre-tax profit         | 239.9               | 55.9   | 329% | 994.0                       | 47%  |
| Net profit             | 177.5               | 39.0   | 355% | 775.4                       | 43%  |

| Agora<br>Paweł Szpigiel | Buy<br>PLN 18.40 |       |      | Reporting Date<br>10 August |      |
|-------------------------|------------------|-------|------|-----------------------------|------|
| (PLN m)                 | Q2'18E           | Q2'17 | Y/Y  | 2018E                       | YTD* |
| Revenue                 | 251.4            | 282.7 | -11% | 1191.2                      | 44%  |
| EBITDA                  | -2.2             | 30.3  | -    | 129.8                       | 26%  |
| EBITDA margin           | -0.9%            | 10.7% |      | 10.9%                       |      |
| EBIT                    | -24.4            | 6.8   | -    | 38.6                        | -    |
| Pre-tax profit          | -24.9            | 4.5   | -    | 35.7                        | -    |
| Net profit              | -25.2            | 0.3   | -    | 24.5                        | -    |

| Cyfrowy Polsat<br>Paweł Szpigiel | Accumulate<br>PLN 24.90 |        |      | Reporting Date<br>23 August |      |
|----------------------------------|-------------------------|--------|------|-----------------------------|------|
| (PLN m)                          | Q2'18E                  | Q2'17  | Y/Y  | 2018E                       | YTD* |
| Revenue                          | 2577.2                  | 2469.9 | 4%   | 10776                       | 46%  |
| EBITDA                           | 918.8                   | 963.7  | -5%  | 3655.0                      | 49%  |
| EBITDA margin                    | 35.6%                   | 39.0%  |      | 33.9%                       |      |
| EBIT                             | 433.2                   | 517.0  | -16% | 1757.8                      | 49%  |
| Pre-tax profit                   | 327.7                   | 389.3  | -16% | 1336.6                      | 52%  |
| Net profit                       | 265.4                   | 291.2  | -9%  | 1095.5                      | 51%  |

| Wirtualna Polska<br>Paweł Szpigiel | Accumulate<br>PLN 60.00 |       |     | Reporting Date<br>28 August |      |
|------------------------------------|-------------------------|-------|-----|-----------------------------|------|
| (PLN m)                            | Q2'18E                  | Q2'17 | Y/Y | 2018E                       | YTD* |
| Revenue                            | 128.5                   | 110.9 | 16% | 518.6                       | 47%  |
| EBITDA                             | 39.8                    | 34.5  | 15% | 160.4                       | 45%  |
| EBITDA margin                      | 31.0%                   | 31.1% |     | 30.9%                       |      |
| EBIT                               | 26.2                    | 21.9  | 19% | 104.9                       | 43%  |
| Pre-tax profit                     | 20.2                    | 17.7  | 14% | 84.6                        | 39%  |
| Net profit                         | 14.5                    | 12.8  | 13% | 76.0                        | 29%  |

| Asseco Poland<br>Paweł Szpigiel | Hold<br>PLN 41.20 |        |     | Reporting Date<br>23 August |      |
|---------------------------------|-------------------|--------|-----|-----------------------------|------|
| (PLN m)                         | Q2'18E            | Q2'17  | Y/Y | 2018E                       | YTD* |
| Revenue                         | 2169.2            | 2093.7 | 4%  | 8833.9                      | 49%  |
| EBITDA                          | 283.1             | 222.3  | 27% | 1073.9                      | 53%  |
| EBITDA margin                   | 13.0%             | 10.6%  |     | 12.2%                       |      |
| EBIT                            | 170.1             | 144.0  | 18% | 705.0                       | 48%  |
| Pre-tax profit                  | 164.0             | 117.7  | 39% | 660.9                       | 49%  |
| Net profit                      | 70.6              | 52.4   | 35% | 243.7                       | 57%  |

\*as a percentage of our full-year forecast

- Media firms benefitted from scaled-up marketing budgets, but cinema attendance in Q2 was down 17%.
- The IT sector enjoyed a solid second quarter, with ACP, ABS, and CMR leading the way.

- Downtrend in revenues curbed to an annual rate of 2.1% from 4.7% on average in the four previous quarters.
- Stable prices, 21.6k fixed voice subscribers lost during the quarter.
- 6% y/y contraction in Broadband ARPU accompanied by the loss of 9.3k broadband users (mainly BSA and LLU lines).
- No change in SG&A expenses versus Q1.

- EBITDA under IAS 18 at PLN 753m (-7% y/y).
- Growth in the convergent customer base to 1.1 million after the addition of 55,000 users during the quarter.
- At the same time, y/y ARPU contraction to PLN 101.4.
- No major change in costs vs. Q2 2017.

- A slowdown in the annual rate of topline growth to 2.3% from 3.6% in Q1 and 7.4% in Q4'17, led by lower smartphone sales and defecting postpaid users (65k lines net lost in Q2).
- Higher domestic and EU roaming costs will push the overall quarterly costs higher.
- A 10.1% y/y slump in recurring EBITDA.

- Sunny weather caused a 25% drop in Q2 cinema admissions, resulting in a y/y EBITDA slump in the Films & Books segment.
- EBITDA in Press down year on year in line with falling advertising revenues (-21% y/y).
- Consolidated EBITDA depressed by a PLN 13.3m one-time charge.
- Recurring EBITDA down 63% on the year at PLN 11.1m.

- A PLN 25m dent in revenue and EBITDA due to the switch to IFRS 15.
- Falling retail revenue partly offset by higher TV revenue.
- EBITDA not including IFRS 15 impact and Netia down 6.2% year-on-year at PLN 904m.

- A 19% y/y rebound to PLN 122.5m in revenue adjusted for barter, driven by higher Polish adspend.
- Costs ex. barter, D&A, and one-offs up 20% y/y due to a higher share of e-commerce and a bonus payout.
- Slower growth in recurring EBITDA ex. barter, the TV project, and one-offs, up 9.2% year on year compared to a 29.5% surge posted in Q1.

- A 5% y/y rebound in standalone revenue thanks to stronger sales of banking solutions and GDPR- and split payment-related solutions, accompanied by a 62% surge to PLN 35.9m in standalone EBIT.
- A turnaround in the Israeli business with a net profit of PLN 4.0m versus a PLN 0.5m year-ago net loss.
- Higher PP&A depreciation expenses weighing.
- Flat y/y growth in net profit will mark a big improvement from previous quarters.

| <b>Asseco BS</b>      |               | <b>Neutral</b> |            | <b>Reporting Date</b> |             |
|-----------------------|---------------|----------------|------------|-----------------------|-------------|
| <b>Paweł Szpigiel</b> |               |                |            | <b>2 August</b>       |             |
| <b>(PLN m)</b>        | <b>Q2'18E</b> | <b>Q2'17</b>   | <b>Y/Y</b> | <b>2018E</b>          | <b>YTD*</b> |
| Revenue               | 60.0          | 41.7           | 44%        | 253.6                 | 48%         |
| EBITDA                | 21.0          | 14.5           | 45%        | 88.7                  | 49%         |
| EBITDA margin         | 35.1%         | 34.9%          |            | 35.0%                 |             |
| EBIT                  | 16.5          | 11.9           | 39%        | 71.1                  | 48%         |
| Pre-tax profit        | 16.5          | 11.8           | 39%        | 71.2                  | 48%         |
| Net profit            | 13.4          | 9.6            | 39%        | 57.7                  | 49%         |

| <b>Asseco SEE</b>     |               | <b>Overweight</b> |            | <b>Reporting Date</b> |             |
|-----------------------|---------------|-------------------|------------|-----------------------|-------------|
| <b>Paweł Szpigiel</b> |               |                   |            | <b>8 August</b>       |             |
| <b>(PLN m)</b>        | <b>Q2'18E</b> | <b>Q2'17</b>      | <b>Y/Y</b> | <b>2018E</b>          | <b>YTD*</b> |
| Revenue               | 160.1         | 149.6             | 7%         | 637.6                 | 47%         |
| EBITDA                | 28.3          | 27.7              | 2%         | 111.1                 | 47%         |
| EBITDA margin         | 17.7%         | 18.5%             |            | 17.4%                 |             |
| EBIT                  | 17.5          | 17.9              | -2%        | 69.8                  | 44%         |
| Pre-tax profit        | 17.5          | 18.5              | -5%        | 69.6                  | 45%         |
| Net profit            | 14.0          | 15.5              | -9%        | 56.8                  | 44%         |

| <b>Atende</b>         |               | <b>Overweight</b> |            | <b>Reporting Date</b> |             |
|-----------------------|---------------|-------------------|------------|-----------------------|-------------|
| <b>Paweł Szpigiel</b> |               |                   |            | <b>19 September</b>   |             |
| <b>(PLN m)</b>        | <b>Q2'18E</b> | <b>Q2'17</b>      | <b>Y/Y</b> | <b>2018E</b>          | <b>YTD*</b> |
| Revenue               | 57.3          | 50.6              | 13%        | 300.3                 | 38%         |
| EBITDA                | 2.9           | 0.2               | -          | 29.8                  | 16%         |
| EBITDA margin         | 5.1%          | 0.4%              |            | 9.9%                  |             |
| EBIT                  | 0.9           | -1.4              | -          | 23.0                  | 4%          |
| Pre-tax profit        | 1.1           | -1.5              | -          | 23.0                  | 5%          |
| Net profit            | 0.8           | -1.8              | -          | 15.6                  | 4%          |

| <b>CD Projekt</b>   |               | <b>Sell</b>      |            | <b>Reporting Date</b> |             |
|---------------------|---------------|------------------|------------|-----------------------|-------------|
| <b>Piotr Bogusz</b> |               | <b>PLN 90.80</b> |            | <b>28 August</b>      |             |
| <b>(PLN m)</b>      | <b>Q2'18E</b> | <b>Q2'17</b>     | <b>Y/Y</b> | <b>2018E</b>          | <b>YTD*</b> |
| Revenue             | 89.1          | 155.5            | -43%       | 496.3                 | 33%         |
| EBITDA              | 28.5          | 90.8             | -69%       | 247.7                 | 23%         |
| EBITDA margin       | 32.0%         | 58.4%            |            | 49.9%                 |             |
| EBIT                | 26.9          | 89.4             | -70%       | 242.2                 | 23%         |
| Pre-tax profit      | 28.5          | 89.4             | -68%       | 242.8                 | 24%         |
| Net profit          | 23.1          | 73.4             | -69%       | 197.7                 | 23%         |

| <b>Comarch</b>        |               | <b>Accumulate</b> |            | <b>Reporting Date</b> |             |
|-----------------------|---------------|-------------------|------------|-----------------------|-------------|
| <b>Paweł Szpigiel</b> |               | <b>PLN 166.50</b> |            | <b>31 August</b>      |             |
| <b>(PLN m)</b>        | <b>Q2'18E</b> | <b>Q2'17</b>      | <b>Y/Y</b> | <b>2018E</b>          | <b>YTD*</b> |
| Revenue               | 327.6         | 235.4             | 39%        | 1218.7                | 49%         |
| EBITDA                | 42.9          | 10.1              | 323%       | 143.7                 | 42%         |
| EBITDA margin         | 13.1%         | 4.3%              | -          | 11.8%                 | -           |
| EBIT                  | 26.7          | -6.4              | -          | 79.2                  | 34%         |
| Pre-tax profit        | 31.2          | -3.2              | -          | 77.8                  | 36%         |
| Net profit            | 19.0          | -7.4              | -          | 56.5                  | 23%         |

\*as a percentage of our full-year forecast

- Strong y/y growth driven by high demand for solutions to address the introduction of the VAT split payment mechanism in July.
- Improvement at Macrologic owed to positive base effects.
- Slow but consistent recovery in global sales over the year-ago period.
- A repeat of the stellar Q2 in Poland not likely in subsequent quarters.

- Improvement in Serbia thanks to an efficient reallocation of local resources after the loss of a banking customer.
- Payment solutions did well in Q2.
- A slowdown in Turkey, where demand affected by political developments + unfavorable currency movements.

- A 6% rebound in standalone revenue accompanied by gross margin expansion to 19% from 13.4% a year ago, driven by strong demand from mobile telecoms.
- Continuing improvement reported by subsidiaries.
- All in all, profits in Q2 will show across-the-board growth despite a 15% increase in SG&A expenses.

- A double-digit fall in revenue due to dwindling sales of *The Witcher*, coupled with negative base effects at GOG.com.
- Ramped-up marketing expenses for *Cyberpunk 2077* while sales volumes fell will result in shrinking profits.

- Revenue boosted to the tune of PLN 45m by the acquisition of a large order from the Justice Ministry.
- Solid performance in the Polish market accompanied by stable export sales despite the zloty's depreciation against the euro.
- A one-time gain of ca. EUR 2.5m from the sale of a football player to Genoa CFC.



## Industrials

| Alumetal      |        | Neutral |     |        | Reporting Date |  |
|---------------|--------|---------|-----|--------|----------------|--|
| Jakub Szkopek |        |         |     |        | 22 August      |  |
| (PLN m)       | Q2'18E | Q2'17   | Y/Y | 2018E  | YTD*           |  |
| Revenue       | 467.6  | 358.0   | 31% | 1718.5 | 52%            |  |
| EBITDA        | 29.1   | 20.2    | 44% | 114.1  | 52%            |  |
| EBITDA margin | 6.2%   | 5.6%    |     | 6.6%   |                |  |
| EBIT          | 22.2   | 13.4    | 66% | 84.9   | 53%            |  |
| Net profit    | 19.9   | 14.0    | 42% | 81.0   | 56%            |  |

| Amica         |        | Overweight |      |        | Reporting Date |  |
|---------------|--------|------------|------|--------|----------------|--|
| Jakub Szkopek |        |            |      |        | 28 September   |  |
| (PLN m)       | Q2'18E | Q2'17      | Y/Y  | 2018E  | YTD*           |  |
| Revenue       | 654.1  | 616.3      | 6%   | 2777.2 | 44%            |  |
| EBITDA        | 41.6   | 49.9       | -17% | 205.1  | 45%            |  |
| EBITDA margin | 6.4%   | 8.1%       |      | 7.4%   |                |  |
| EBIT          | 29.1   | 38.0       | -24% | 154.4  | 44%            |  |
| Net profit    | 20.3   | 71.5       | -72% | 110.1  | 42%            |  |

| Apator        |        | Neutral |      |       | Reporting Date |  |
|---------------|--------|---------|------|-------|----------------|--|
| Jakub Szkopek |        |         |      |       | 30 August      |  |
| (PLN m)       | Q2'18E | Q2'17   | Y/Y  | 2018E | YTD*           |  |
| Revenue       | 201.6  | 235.5   | -14% | 802.3 | 48%            |  |
| EBITDA        | 31.9   | 27.0    | 18%  | 124.5 | 49%            |  |
| EBITDA margin | 15.8%  | 11.4%   |      | 15.5% |                |  |
| EBIT          | 22.1   | 17.3    | 28%  | 84.3  | 49%            |  |
| Net profit    | 16.7   | 11.8    | 41%  | 63.7  | 49%            |  |

| Boryszew      |        | Neutral |      |        | Reporting Date |  |
|---------------|--------|---------|------|--------|----------------|--|
| Jakub Szkopek |        |         |      |        | 30 August      |  |
| (PLN m)       | Q2'18E | Q2'17   | Y/Y  | 2018E  | YTD*           |  |
| Revenue       | 1584.7 | 1567.7  | 1%   | 6501.4 | 49%            |  |
| EBITDA        | 110.4  | 127.1   | -13% | 482.5  | 46%            |  |
| EBITDA margin | 7.0%   | 8.1%    |      | 7.4%   |                |  |
| EBIT          | 74.9   | 95.3    | -21% | 340.3  | 44%            |  |
| Net profit    | 42.5   | 66.1    | -36% | 190.6  | 42%            |  |

| Cognor        |        |       |     |        | Reporting Date |  |
|---------------|--------|-------|-----|--------|----------------|--|
| Jakub Szkopek |        |       |     |        | 14 August      |  |
| (PLN m)       | Q2'18E | Q2'17 | Y/Y | 2018E  | YTD*           |  |
| Revenue       | 476.5  | 404.3 | 18% | 2079.7 | 48%            |  |
| EBITDA        | 36.7   | 32.0  | 15% | 141.5  | 67%            |  |
| EBITDA margin | 7.7%   | 7.9%  |     |        |                |  |
| EBIT          | 26.1   | 22.1  | 18% | 99.7   | 73%            |  |
| Net profit    | 9.0    | 6.0   | 52% | 50.8   | 67%            |  |

| Elemental     |        | Neutral |     |        | Reporting Date |  |
|---------------|--------|---------|-----|--------|----------------|--|
| Jakub Szkopek |        |         |     |        | 28 September   |  |
| (PLN m)       | Q2'18E | Q2'17   | Y/Y | 2018E  | YTD*           |  |
| Revenue       | 354.3  | 328.3   | 8%  | 1450.3 | 50%            |  |
| EBITDA        | 14.4   | 13.3    | 8%  | 70.0   | 42%            |  |
| EBITDA margin | 4.1%   | 4.1%    |     | 7.5%   |                |  |
| EBIT          | 12.0   | 11.1    | 8%  | 60.7   | 40%            |  |
| Net profit    | 8.5    | 4.6     | 86% | 42.4   | 33%            |  |

| Ergis         |        | Neutral |      |       | Reporting Date |  |
|---------------|--------|---------|------|-------|----------------|--|
| Jakub Szkopek |        |         |      |       | 13 September   |  |
| (PLN m)       | Q2'18E | Q2'17   | Y/Y  | 2018E | YTD*           |  |
| Revenue       | 199.6  | 190.1   | 5%   | 793.5 | 49%            |  |
| EBITDA        | 15.1   | 16.9    | -11% | 52.7  | 54%            |  |
| EBITDA margin | 7.5%   | 8.9%    |      | 6.6%  |                |  |
| EBIT          | 9.0    | 11.1    | -19% | 29.5  | 56%            |  |
| Net profit    | 5.4    | 7.3     | -26% | 17.2  | 62%            |  |

| Famur         |        | Buy      |      |        | Reporting Date |  |
|---------------|--------|----------|------|--------|----------------|--|
| Jakub Szkopek |        | PLN 6.95 |      |        | 28 September   |  |
| (PLN m)       | Q2'18E | Q2'17    | Y/Y  | 2018E  | YTD*           |  |
| Revenue       | 415.0  | 309.7    | 34%  | 2059.0 | 45%            |  |
| EBITDA        | 109.5  | 53.2     | 106% | 438.7  | 49%            |  |
| EBITDA margin | 26.4%  | 17.2%    |      | 21.0%  |                |  |
| EBIT          | 61.5   | 23.1     | 167% | 274.8  | 42%            |  |
| Net profit    | 43.7   | 14.6     | 200% | 200.7  | 38%            |  |

\*as a percentage of our full-year forecast

- Anticipating 20% y/y growth to 50.8kt in the quarterly sales volume.
- Higher benchmark margins on core alloys will further boost profits.
- All told, net earnings could show an over-40% rebound year on year.

- Amica generated solid revenues across all of its export markets in Q2, fueled by stronger demand accompanied by the zloty's depreciation versus the euro and the pound.
- On higher sales, adjusted for one-offs, we expect to see 3.5% growth in core EBITDA and a 27% surge in adjusted net profit.

- Apator will post a decrease in Q2 2018 sales compared to the same period in 2017, when revenues were driven by international bookings.
- At the same time, the quarterly profits will show double-digit growth thanks to higher margins and lower SG&A expenses.

- Boryszew's 2018 Q2 earnings were under pressure from higher costs of feedstock incurred by the Chemicals business, and higher costs of labor registered by the Automotive business. Adding to the pressure were negative base effects affecting y/y growth at Impexmetal and in Automotive. We might adjust our 2018 FY forecasts slightly lower after the Q2 results.

- Cognor generated slightly lower margins on its different product lines in Q2 than in the previous quarter due to a 1% uptick in prices of metal scrap, coupled with 1-2% reductions in sales prices.
- The expectations of market analysts as to 2018 FY EBITDA might be revised upward to PLN 160-170m after Q2.

- Elemental's 2018 Q2 profits will show growth over a weak year-ago quarter.
- If the quarterly EBITDA does not cross the PLN 15m mark, however, analysts might lower their FY expectations closer to PLN 60m from the current PLN 70m.

- Ergis will register y/y contraction in Q2 2018 results due to higher costs of basic materials and payroll, which it was not able to pass onto end customers in a highly competitive market.

- We expect a 45% rebound in the Q2 2018 revenue of the segment of underground mining equipment, driven by the acquisition of Kopex and a higher backlog. Revenue from surface equipment might post a 5% decline from the year-ago quarter.
- On higher sales, profits will show growth on a y/y as well as a q/q basis. Net debt as of 30 June is expected to be negative at PLN -10-20m.



| Forte         |        | Neutral    |      |        | Reporting Date |  |
|---------------|--------|------------|------|--------|----------------|--|
| Jakub Szkopek |        | PLN 371.08 |      |        | 13 September   |  |
| (PLN m)       | Q2'18E | Q2'17      | Y/Y  | 2018E  | YTD*           |  |
| Revenue       | 259.6  | 242.6      | 7%   | 1148.7 | 48%            |  |
| EBITDA        | 22.3   | 23.7       | -6%  | 130.4  | 35%            |  |
| EBITDA margin | 8.6%   | 9.8%       |      | 11.4%  |                |  |
| EBIT          | 14.3   | 17.3       | -17% | 96.9   | 31%            |  |
| Net profit    | 6.0    | 14.4       | -58% | 55.5   | 24%            |  |

| Grupa Kęty    |        | Hold       |     |        | Reporting Date |  |
|---------------|--------|------------|-----|--------|----------------|--|
| Jakub Szkopek |        | PLN 371.08 |     |        | 7 August       |  |
| (PLN m)       | Q2'18E | Q2'17      | Y/Y | 2018E  | YTD*           |  |
| Revenue       | 735.0  | 664.3      | 11% | 3074.5 | 46%            |  |
| EBITDA        | 117.0  | 110.9      | 6%  | 467.4  | 48%            |  |
| EBITDA margin | 15.9%  | 16.7%      |     | 15.2%  |                |  |
| EBIT          | 87.0   | 81.4       | 7%  | 345.5  | 47%            |  |
| Net profit    | 65.0   | 64.8       | 0%  | 274.0  | 43%            |  |

| Impexmetal    |        | Hold      |      |        | Reporting Date |  |
|---------------|--------|-----------|------|--------|----------------|--|
| Jakub Szkopek |        | PLN 53.04 |      |        | 24 August      |  |
| (PLN m)       | Q2'18E | Q2'17     | Y/Y  | 2018E  | YTD*           |  |
| Revenue       | 849.9  | 825.0     | 3%   | 3607.1 | 48%            |  |
| EBITDA        | 55.4   | 57.7      | -4%  | 233.4  | 52%            |  |
| EBITDA margin | 6.5%   | 7.0%      |      | 6.5%   |                |  |
| EBIT          | 39.7   | 43.4      | -9%  | 167.7  | 53%            |  |
| Net profit    | 30.3   | 35.9      | -15% | 121.6  | 55%            |  |

| Kernel        |        | Hold      |     |        | Reporting Date |  |
|---------------|--------|-----------|-----|--------|----------------|--|
| Jakub Szkopek |        | PLN 53.04 |     |        | 16 September   |  |
| (USD m)       | Q4'18E | Q4'17     | Y/Y | 2018E  | Y/Y            |  |
| Revenue       | 854.7  | 510.5     | 67% | 2468.3 | 14%            |  |
| EBITDA        | 54.9   | 36.3      | 51% | 251.1  | -21%           |  |
| EBITDA margin | 6.4%   | 7.1%      |     | 15.5%  |                |  |
| EBIT          | 34.3   | 23.1      | 49% | 167.6  | -37%           |  |
| Net profit    | 22.6   | -13.8     | -   | 73.3   | -59%           |  |

| Kruszwica     |        | Neutral   |     |        | Reporting Date |  |
|---------------|--------|-----------|-----|--------|----------------|--|
| Jakub Szkopek |        | PLN 53.04 |     |        | 17 September   |  |
| (PLN m)       | Q2'18E | Q2'17     | Y/Y | 2018E  | YTD*           |  |
| Revenue       | 524.1  | 565.8     | -7% | 2439.2 | 49%            |  |
| EBITDA        | 15.4   | -5.2      | -   | 134.0  | 34%            |  |
| EBITDA margin | 2.9%   | -0.9%     |     | 5.5%   |                |  |
| EBIT          | 5.9    | -12.0     | -   | 108.3  | 27%            |  |
| Net profit    | 3.2    | -9.5      | -   | 84.1   | 27%            |  |

| Mangata       |        | Neutral   |      |       | Reporting Date |  |
|---------------|--------|-----------|------|-------|----------------|--|
| Jakub Szkopek |        | PLN 53.04 |      |       | 11 September   |  |
| (PLN m)       | Q2'18E | Q2'17     | Y/Y  | 2018E | YTD*           |  |
| Revenue       | 162.6  | 157.7     | 3%   | 673.9 | 51%            |  |
| EBITDA        | 22.3   | 23.6      | -5%  | 93.6  | 51%            |  |
| EBITDA margin | 13.7%  | 15.0%     |      | 13.9% |                |  |
| EBIT          | 15.7   | 17.0      | -8%  | 65.5  | 51%            |  |
| Net profit    | 11.5   | 13.7      | -16% | 48.9  | 52%            |  |

| Pfleiderer Group |        | Overweight |     |        | Reporting Date |  |
|------------------|--------|------------|-----|--------|----------------|--|
| Jakub Szkopek    |        | PLN 53.04  |     |        | 22 August      |  |
| (EUR m)          | Q2'18E | Q2'17      | Y/Y | 2018E  | YTD*           |  |
| Revenue          | 268.8  | 253.6      | 6%  | 1065.3 | 51%            |  |
| EBITDA           | 36.0   | 35.4       | 2%  | 135.7  | 53%            |  |
| EBITDA margin    | 13.4%  | 13.9%      |     | 12.7%  |                |  |
| EBIT             | 17.6   | 16.9       | 5%  | 61.0   | 58%            |  |
| Net profit       | 10.5   | 8.3        | 28% | 37.0   | 48%            |  |

| Pozbud        |        | Overweight |      |       | Reporting Date |  |
|---------------|--------|------------|------|-------|----------------|--|
| Jakub Szkopek |        | PLN 53.04  |      |       | 31 August      |  |
| (PLN m)       | Q2'18E | Q2'17      | Y/Y  | 2018E | YTD*           |  |
| Revenue       | 27.6   | 28.7       | -4%  | 189.7 | 34%            |  |
| EBITDA        | 3.3    | 4.3        | -23% | 25.4  | 27%            |  |
| EBITDA margin | 12.1%  | 15.0%      |      | 13.4% |                |  |
| EBIT          | 2.2    | 3.1        | -31% | 20.6  | 22%            |  |
| Net profit    | 1.2    | 2.0        | -41% | 14.8  | 19%            |  |

| Stelmet       |        | Buy       |      |       | Reporting Date |  |
|---------------|--------|-----------|------|-------|----------------|--|
| Jakub Szkopek |        | PLN 20.24 |      |       | 24 August      |  |
| (PLN m)       | Q3'18E | Q3'17     | Y/Y  | 2018E | YTD*           |  |
| Revenue       | 203.9  | 196.3     | 4%   | 544.5 | 77%            |  |
| EBITDA        | 26.9   | 25.4      | 6%   | 62.4  | 80%            |  |
| EBITDA margin | 13.2%  | 25.4%     |      | 14.0% |                |  |
| EBIT          | 16.4   | 15.2      | 8%   | 20.8  | 90%            |  |
| Net profit    | 6.3    | 13.1      | -52% | 21.6  | 48%            |  |

\*as a percentage of our full-year forecast

■ Forte is expected to report a 7% y/y rebound in Q2 2018 revenue thanks to stronger demand coupled with the zloty's depreciation vs. the euro.

■ The limited positive effects on profit margins of newly-launched in-house panel production will be overshadowed by higher costs of labor and external panel supplies.

■ Kęty's preliminary 2018 Q2 earnings release showed y/y revenue expansion despite price volatility and supply disruptions in the aluminum market. EBITDA increased as well in the period, contrary to our expectations which were based on the fact that, historically, Kęty has not been able to immediately pass rapid shifts in the prices of aluminum feedstock onto end customers.

■ On a 3.4% higher sales volume, the sales margin for Q2 2018 is set to show contraction from the comparable year-ago period due to FX effects and disruptions in feedstock supplies, underpinned by negative base effects.

■ In addition, there is a likelihood the Company will book a PLN 3m one-time charge against the quarterly profit.

■ Strong sales volumes reported in the fourth quarter of fiscal 2018 imply high cash flow and lower net debt.

■ We expect a year-on-year rebound in the quarterly profits for the first time in six quarters.

■ Kruszwica generated a 10% higher sales volume in Q2 2018, but at the same time its sales prices in the period were 16% lower on average than in Q2 2017.

■ On the upside, benchmark margins and positive base effects will provide support to the quarterly profits.

■ Mangata is expected to report flat to slightly negative y/y growth in the Q2 2018 earnings. Sales of industrial valves increased by an estimated 5% in Q2, and sales of automotive parts might show a 1.5% rise over the year-ago period. The zloty's depreciation versus the euro will make for higher export revenues.

■ Pfleiderer's Q2 2018 earnings benefitted from rising prices of wood-based panels and strong demand from Western European furniture makers. The contribution of the Polish business was diminished by the zloty's depreciation against the euro. Costs of chemical feedstock and energy increased during Q2, but this should be offset by price adjustments.

■ Pozbud experienced a decline in the revenues and profits from construction services in Q2 2018, but the fall will be partly mitigated by stronger results of the windows and doors segment. The residential real-estate business, not factored into our forecasts, could be a source of positive surprise depending on the volume of flats sold in the quarter.

■ An estimated decline of 6% in the sales volume for garden furniture will be offset by a 5% rebound in pellet sales. At the same time, we expect to see respective growth of 0.9% and 1.4% in the average zloty sales prices for furniture and pellets despite the Polish currency's depreciation versus EUR and GBP. We are hoping for a reversal of the downward trend in profits seen since Stelmet's October 2018 market debut.

| <b>Tarczyński</b><br>Jakub Szkopek | Neutral |       |      | Reporting Date<br>28 September |      |
|------------------------------------|---------|-------|------|--------------------------------|------|
| (PLN m)                            | Q2'18E  | Q2'17 | Y/Y  | 2018E                          | YTD* |
| Revenue                            | 183.2   | 185.9 | -1%  | 752.2                          | 48%  |
| EBITDA                             | 15.0    | 12.0  | 25%  | 61.9                           | 52%  |
| EBITDA margin                      | 8.2%    | 6.5%  |      | 8.2%                           |      |
| EBIT                               | 7.8     | 4.8   | 62%  | 33.1                           | 54%  |
| Net profit                         | 4.9     | 2.3   | 112% | 20.0                           | 52%  |

## Construction

### Persistent pressure on profits

- On rising revenues, Polish construction firms are set to report another quarter of tightening margins in Q2 2018.
- The railway builders Torpol and ZUE might report a rebound in profits from a low year-ago base, and at Ulma rental formwork we anticipate continuing upward momentum in profit margins.

| <b>Budimex</b><br>Piotr Zybala | Hold<br>PLN 163.00 |        |      | Reporting Date<br>26 July |      |
|--------------------------------|--------------------|--------|------|---------------------------|------|
| (PLN m)                        | Q2'18E             | Q2'17  | Y/Y  | 2018E                     | YTD* |
| Revenue                        | 1877.8             | 1669.0 | 13%  | 7213.3                    | 45%  |
| Gross profit                   | 140.3              | 189.1  | -26% | 680.1                     | 41%  |
| EBITDA                         | 93.1               | 147.6  | -37% | 477.3                     | 40%  |
| EBIT margin                    | 4.4%               | 8.3%   |      | 6.0%                      |      |
| Pre-tax income                 | 81.5               | 136.8  | -40% | 427.5                     | 38%  |
| Net profit                     | 65.1               | 109.5  | -41% | 340.3                     | 38%  |

| <b>Elektrobudowa</b><br>Piotr Zybala | Hold<br>PLN 71.00 |       |      | Reporting Date<br>17 September |      |
|--------------------------------------|-------------------|-------|------|--------------------------------|------|
| (PLN m)                              | Q2'18E            | Q2'17 | Y/Y  | 2018E                          | YTD* |
| Revenue                              | 205.8             | 213.6 | -4%  | 882.8                          | 40%  |
| Gross profit                         | 13.3              | 30.0  | -56% | 51.5                           | 38%  |
| EBITDA                               | 11.1              | 23.7  | -53% | 43.7                           | 40%  |
| EBIT margin                          | 3.6%              | 9.4%  |      | 3.2%                           |      |
| Pre-tax income                       | 8.2               | 22.3  | -63% | 30.3                           | 35%  |
| Net profit                           | 6.4               | 18.6  | -66% | 23.7                           | 35%  |

| <b>Erbud</b><br>Piotr Zybala | Buy<br>PLN 22.00 |       |      | Reporting Date<br>5 September |      |
|------------------------------|------------------|-------|------|-------------------------------|------|
| (PLN m)                      | Q2'18E           | Q2'17 | Y/Y  | 2018E                         | YTD* |
| Revenue                      | 466.1            | 432.2 | 8%   | 1937.3                        | 46%  |
| Gross profit                 | 30.1             | 35.6  | -15% | 125.2                         | 44%  |
| EBITDA                       | 10.0             | 14.2  | -30% | 47.4                          | 37%  |
| EBIT margin                  | 1.2%             | 2.5%  |      | 1.7%                          |      |
| Pre-tax income               | 5.1              | 9.0   | -44% | 28.0                          | 43%  |
| Net profit                   | 3.8              | 6.8   | -44% | 21.0                          | 39%  |

| <b>Unibep</b><br>Piotr Zybala | Buy<br>PLN 10.10 |       |      | Reporting Date<br>31 August |      |
|-------------------------------|------------------|-------|------|-----------------------------|------|
| (PLN m)                       | Q2'18E           | Q2'17 | Y/Y  | 2018E                       | YTD* |
| Revenue                       | 421.4            | 408.1 | 3%   | 1643.5                      | 48%  |
| Gross profit                  | 17.4             | 20.1  | -13% | 89.1                        | 60%  |
| EBITDA                        | 7.1              | 11.1  | -36% | 47.7                        | 70%  |
| EBIT margin                   | 1.0%             | 2.1%  |      | 2.2%                        |      |
| Pre-tax income                | 4.0              | 15.0  | -73% | 39.8                        | 73%  |
| Net profit                    | 3.2              | 9.3   | -66% | 30.6                        | 70%  |

\*as a percentage of our full-year forecast

- Growth in sales profits thanks to a 19% y/y drop in the costs of fresh meat inputs (up only 2% from to the previous quarter).

- Reported figures might reflect a PLN 10m payment of court-ordered compensation to a former contractor, on the one hand, and proceeds from the PLN 28m sale of the meat processing plant in Sława, on the other hand.

- Construction firms across the board reported increased debt and valuations of long-term construction contracts in Q1 2018, and during the second quarter their balance-sheet positions most likely continued to worsen.

- Budimex announced on July 10th that its preliminary Q2 2018 net profit came in at PLN 65m, representing a drop of 41% from the year-ago quarter. The slump was driven by a collapse in profit margins on construction services on the heels of an upward shift in the costs of materials, subcontractor services, and transportation, observed this year, affecting profits on contracts acquired during 2017.

- The low guidance puts into question our 2018 FY financial outlook for Budimex.

- Elektrobudowa cut its FY2018 net profit guidance from PLN 46m to PLN 27m on May 30th after a downward adjustment to the expected profit on one of its contracts, and to reflect the worse-than-expected performance of its operations in Russia.

- Accordingly, we expect to see profit contraction in Q2.
- Furthermore, we anticipate further shrinkage going forward in Elektrobudowa's backlog, currently at its lowest level in five years.

- Erbud is set to report a substantial slowdown in Q2 2018 compared to a high year-ago base.

- The second half of the year should bring improvement as the Company clears the low-margin contracts acquired in H1 2017.

- Erbud's backlog is set to rebound above PLN 2bn with the addition of the PLN 500m bookings acquired between April and June.

- Unibep is expected to post a year-over-year drop of 36% in Q2 2018 EBITDA driven by lower margins on construction contracts, underpinned by negative base effects.

- However, thanks to a strong first-quarter profit generated by the real-estate business, Unibep will deliver 70% of our 2018 FY net profit forecast in the first half of the year.

## Property Developers

### A good quarter for housing

- The aggregate 2018 Q2 closings volume of listed residential developers was 50% higher than in the comparable period in 2017. For rated developers (ARH, 1AT, DOM, JWC, LCC, LKD, PND, RON, I2D), this implies an over-50% surge in the quarterly net profit.

| <b>Atal</b>         |               | <b>Buy</b>       |            | <b>Reporting Date</b> |             |
|---------------------|---------------|------------------|------------|-----------------------|-------------|
| <b>Piotr Zybala</b> |               | <b>PLN 42.86</b> |            | <b>4 September</b>    |             |
| <b>(PLN m)</b>      | <b>Q2'18E</b> | <b>Q2'17</b>     | <b>Y/Y</b> | <b>2018E</b>          | <b>YTD*</b> |
| Revenue             | 311.1         | 220.7            | 41%        | 943.9                 | 65%         |
| Gross profit margin | 90.2          | 71.7             | 26%        | 275.3                 | 62%         |
| EBIT                | 29.0%         | 32.5%            |            | 29.2%                 |             |
| EBIT ex. val.&SOP   | 82.5          | 65.5             | 26%        | 244.7                 | 64%         |
| Pre-tax income      | 80.4          | 63.7             | 26%        | 237.0                 | 65%         |
| Net profit          | 64.8          | 50.7             | 28%        | 189.6                 | 64%         |

| <b>Capital Park</b> |               | <b>Buy</b>      |            | <b>Reporting Date</b> |             |
|---------------------|---------------|-----------------|------------|-----------------------|-------------|
| <b>Piotr Zybala</b> |               | <b>PLN 8.35</b> |            | <b>7 September</b>    |             |
| <b>(PLN m)</b>      | <b>Q2'18E</b> | <b>Q2'17</b>    | <b>Y/Y</b> | <b>2018E</b>          | <b>YTD*</b> |
| Revenue             | 35.3          | 30.4            | 16%        | 150.8                 | 47%         |
| Gross profit margin | 26.5          | 22.4            | 18%        | 114.6                 | 45%         |
| EBIT                | 75.0%         | 73.6%           |            | 76.0%                 |             |
| EBIT ex. val.&SOP   | 22.2          | 17.6            | 26%        | 99.4                  | 46%         |
| Valuation effects   | 77.3          | 7.3             | 961%       | 9.4                   | 1041%       |
| EBIT                | 99.5          | 27.3            | 265%       | 108.8                 | 131%        |
| Pre-tax income      | 50.4          | 6.3             | 694%       | 69.7                  | 106%        |
| Net profit          | 42.5          | 21.8            | 95%        | 54.7                  | 129%        |

| <b>Dom Dev.</b>     |               | <b>Accumulate</b> |            | <b>Reporting Date</b> |             |
|---------------------|---------------|-------------------|------------|-----------------------|-------------|
| <b>Piotr Zybala</b> |               | <b>PLN 87.80</b>  |            | <b>24 August</b>      |             |
| <b>(PLN m)</b>      | <b>Q2'18E</b> | <b>Q2'17</b>      | <b>Y/Y</b> | <b>2018E</b>          | <b>YTD*</b> |
| Revenue             | 427.9         | 322.5             | 33%        | 1748.7                | 36%         |
| Gross profit margin | 102.6         | 90.3              | 14%        | 461.3                 | 35%         |
| EBIT                | 24.0%         | 28.0%             |            | 26.4%                 |             |
| EBIT ex. val.&SOP   | 64.4          | 58.3              | 10%        | 299.5                 | 29%         |
| Pre-tax income      | 64.0          | 59.0              | 8%         | 297.2                 | 29%         |
| Net profit          | 51.9          | 49.0              | 6%         | 240.1                 | 29%         |

| <b>Echo</b>         |               | <b>Buy</b>      |            | <b>Reporting Date</b> |             |
|---------------------|---------------|-----------------|------------|-----------------------|-------------|
| <b>Piotr Zybala</b> |               | <b>PLN 5.63</b> |            | <b>10 September</b>   |             |
| <b>(PLN m)</b>      | <b>Q2'18E</b> | <b>Q2'17</b>    | <b>Y/Y</b> | <b>2018E</b>          | <b>YTD*</b> |
| Revenue             | 67.6          | 101.7           | -34%       | 524.3                 | 25%         |
| Gross profit margin | 16.2          | 21.2            | -24%       | 122.7                 | 26%         |
| EBIT                | 24.0%         | 20.9%           |            | 23.4%                 |             |
| EBIT ex. valuation  | -15.8         | -23.3           | -          | 2.5                   | -           |
| Valuation effects   | 80.0          | 66.2            | 21%        | 399.3                 | 45%         |
| EBIT                | 64.2          | 42.9            | 50%        | 401.8                 | 36%         |
| Pre-tax income      | 58.4          | 130.1           | -55%       | 368.7                 | 34%         |
| Net profit          | 50.3          | 124.9           | -60%       | 302.9                 | 33%         |

| <b>GTC</b>          |               | <b>Hold</b>     |            | <b>Reporting Date</b> |             |
|---------------------|---------------|-----------------|------------|-----------------------|-------------|
| <b>Piotr Zybala</b> |               | <b>PLN 9.60</b> |            | <b>23 August</b>      |             |
| <b>(EUR m)</b>      | <b>Q2'18E</b> | <b>Q2'17</b>    | <b>Y/Y</b> | <b>2018E</b>          | <b>YTD*</b> |
| Revenue             | 36.2          | 28.2            | 28%        | 151.7                 | 50%         |
| Gross profit margin | 27.0          | 21.1            | 28%        | 112.0                 | 49%         |
| EBIT                | 74.6%         | 74.8%           |            | 73.8%                 |             |
| EBIT ex. val.&SOP   | 22.6          | 17.2            | 31%        | 92.7                  | 49%         |
| Valuation effects   | 12.0          | 26.7            | -55%       | 40.7                  | 60%         |
| EBIT                | 34.6          | 41.9            | -17%       | 133.3                 | 54%         |
| Pre-tax income      | 26.9          | 35.0            | -23%       | 103.9                 | 55%         |
| Net profit          | 23.6          | 27.5            | -14%       | 91.1                  | 52%         |

| <b>LC Corp</b>      |               | <b>Buy</b>      |            | <b>Reporting Date</b> |             |
|---------------------|---------------|-----------------|------------|-----------------------|-------------|
| <b>Piotr Zybala</b> |               | <b>PLN 3.58</b> |            | <b>7 September</b>    |             |
| <b>(PLN m)</b>      | <b>Q2'18E</b> | <b>Q2'17</b>    | <b>Y/Y</b> | <b>2018E</b>          | <b>YTD*</b> |
| Revenue             | 230.7         | 162.3           | 42%        | 795.3                 | 61%         |
| Gross profit margin | 75.3          | 59.5            | 27%        | 287.6                 | 61%         |
| EBIT                | 32.6%         | 36.6%           |            | 36.2%                 |             |
| EBIT ex. valuation  | 63.4          | 47.9            | 32%        | 237.3                 | 64%         |
| Valuation effects   | 50.3          | -0.3            | -          | 15.3                  | 467%        |
| EBIT                | 113.7         | 47.6            | 139%       | 252.6                 | 88%         |
| Pre-tax income      | 84.4          | 40.4            | 109%       | 229.3                 | 79%         |
| Net profit          | 68.3          | 31.7            | 116%       | 186.1                 | 79%         |

\*as a percentage of our full-year forecast

- Atal and LC Corp will have fulfilled 65% of our 2018 FY forecasts in the year to June.
- In commercial real estate, a 3.6% appreciation in the euro versus the zloty during the second quarter will boost the period's valuation gains.

- Atal completed and closed 869 flats in Q2 2018 (+50% y/y), the highest quarterly closings volume in the Company's history.
- The gross margin is set to rise quarter on quarter, but it is not likely to beat the high year-ago level.
- We expect Atal to achieve 64% of our 2018 FY net profit forecast in the first half of the year.

- 2018 Q2 profits will be reinforced by high occupancy ratios in rental commercial properties, coupled with a stronger euro, expected to generate quarterly valuation gains of ca. PLN 39m (before taxes).
- Compared to Q2 2017, we anticipate a 16% rebound in net rental income and a 26% surge in the recurring operating income.
- Owing to the positive FX effects, Capital Park is set to achieve 129% of our 2018 FY net profit forecast in the first half of the year.

- Dom Development completed and closed 1,025 flats in Q2 2018 (+61% y/y), however most of these units are in relatively low-margin, low-priced developments.
- If we take into account an expected surge to the tune of 25% in the quarterly SG&A expenses, DOM's net profit is not likely to top the year-ago bottom-line figure by more than 6%.

- Echo's operating income for Q2 2018 is set to soar 50% year over year thanks to a 21% surge to a projected PLN 80m in valuation gains on commercial properties.
- At the same time, net income will register a 60% drop from a high year-ago base which was boosted by one-time events.
- Even though the 2018 H1 net income will fulfill only 33% of our FY forecast as a result, we keep our outlook for the whole year unchanged.

- GTC is set to post a 28% rebound in Q2 2018 NOI from the same period in 2017, when the Galeria Północna mall in Warsaw, opened last September, did not yet contribute to earnings.
- Value adjustments to investment properties are expected to generate a one-time gain of EUR 12m in Q2.
- We predict that GTC will deliver 50% of our 2018 FY forecast in the first half of the year.

- Continued strong earnings momentum will push the net profit for Q2 116% over the year-ago figure thanks to a higher residential closings volume (+77%) coupled with higher valuation gains on commercial properties thanks to the euro's appreciation against the zloty.
- FX gains of a projected PLN 65m will be partly offset by PLN 15m impairment.
- All told, net profit will come in at PLN 47m, making for a 2018 first-half result of PLN 113m, equivalent to 65% of our FY forecast.



## Retail

### Rising consumer spending boosts Q2 retail sales

- Monthly sales statistics reported by fashion retailers indicate strong like-for-like growth in Q2 which should offset the pressure on margins coming from pay demands.

| <b>AmRest</b><br>Piotr Bogusz | <b>Reduce</b><br>PLN 426.00 |       |      | <b>Reporting Date</b><br>1 October |      |
|-------------------------------|-----------------------------|-------|------|------------------------------------|------|
| (EUR m)                       | Q2'18E                      | Q2'17 | Y/Y  | 2018E                              | YTD* |
| Revenue                       | 385.8                       | 294.8 | 31%  | 1536.7                             | 46%  |
| Gross profit margin           | 59.6                        | 48.4  | 23%  | 244.9                              | 45%  |
| EBITDA                        | 15.4%                       | 16.4% |      | 15.9%                              |      |
| EBITDA margin                 | 36.8                        | 33.8  | 9%   | 171.5                              | 41%  |
| EBIT                          | 9.5%                        | 11.5% |      | 11.2%                              |      |
| EBIT                          | 13.0                        | 14.7  | -12% | 70.3                               | 35%  |
| Pre-tax income                | 10.2                        | 10.9  | -6%  | 59.5                               | 29%  |
| Net profit                    | 6.1                         | 7.8   | -22% | 47.3                               | 24%  |

| <b>Bytom</b><br>Piotr Bogusz | <b>Overweight</b><br>PLN 295.00 |       |     | <b>Reporting Date</b><br>28 August |      |
|------------------------------|---------------------------------|-------|-----|------------------------------------|------|
| (PLN m)                      | Q2'18E                          | Q2'17 | Y/Y | 2018E                              | YTD* |
| Revenue                      | 56.4                            | 52.4  | 8%  | 213.8                              | 45%  |
| Gross profit margin          | 30.4                            | 26.5  | 15% | 108.5                              | 46%  |
| EBITDA                       | 54.0%                           | 50.6% |     | 50.8%                              |      |
| EBITDA margin                | 10.3                            | 8.6   | 20% | 25.2                               | 43%  |
| EBIT                         | 18.3%                           | 16.4% |     | 11.8%                              |      |
| EBIT                         | 9.0                             | 7.4   | 22% | 19.8                               | 41%  |
| Pre-tax income               | 8.8                             | 7.2   | 22% | 19.0                               | 39%  |
| Net profit                   | 7.4                             | 5.6   | 32% | 16.0                               | 39%  |

| <b>CCC</b><br>Piotr Bogusz | <b>Buy</b><br>PLN 295.00 |        |     | <b>Reporting Date</b><br>24 August |      |
|----------------------------|--------------------------|--------|-----|------------------------------------|------|
| (PLN m)                    | Q2'18E                   | Q2'17  | Y/Y | 2018E                              | YTD* |
| Revenue                    | 1326.6                   | 1125.1 | 18% | 5223.1                             | 39%  |
| Gross profit margin        | 690.6                    | 583.4  | 18% | 2727.4                             | 37%  |
| EBITDA                     | 52.1%                    | 51.9%  |     | 52.2%                              |      |
| EBITDA margin              | 244.8                    | 201.0  | 22% | 588.3                              | 27%  |
| EBIT                       | 18.5%                    | 17.9%  |     | 11.3%                              |      |
| EBIT                       | 220.1                    | 180.7  | 22% | 480.5                              | 22%  |
| Pre-tax income             | 206.0                    | 167.3  | 23% | 347.9                              | 24%  |
| Net profit                 | 161.5                    | 148.1  | 9%  | 314.6                              | 10%  |

| <b>Dino</b><br>Piotr Bogusz | <b>Hold</b><br>PLN 103.50 |        |     | <b>Reporting Date</b><br>21 August |      |
|-----------------------------|---------------------------|--------|-----|------------------------------------|------|
| (PLN m)                     | Q2'18E                    | Q2'17  | Y/Y | 2018E                              | YTD* |
| Revenue                     | 1426.1                    | 1108.1 | 29% | 5944.2                             | 46%  |
| Gross profit margin         | 322.9                     | 249.7  | 29% | 1375.7                             | 45%  |
| EBITDA                      | 22.6%                     | 22.5%  |     | 23.1%                              |      |
| EBITDA margin               | 122.0                     | 88.5   | 38% | 541.9                              | 42%  |
| EBIT                        | 8.6%                      | 8.0%   |     | 9.1%                               |      |
| EBIT                        | 95.6                      | 68.1   | 40% | 429.1                              | 41%  |
| Pre-tax income              | 85.4                      | 58.7   | 46% | 394.1                              | 39%  |
| Net profit                  | 69.2                      | 46.7   | 48% | 319.2                              | 39%  |

| <b>Eurocash</b><br>Piotr Bogusz | <b>Buy</b><br>PLN 30.70 |        |      | <b>Reporting Date</b><br>29 August |      |
|---------------------------------|-------------------------|--------|------|------------------------------------|------|
| (PLN m)                         | Q2'18E                  | Q2'17  | Y/Y  | 2018E                              | YTD* |
| Revenue                         | 6176.4                  | 6084.4 | 2%   | 25772                              | 43%  |
| Gross profit margin             | 673.8                   | 669.9  | 1%   | 2763.3                             | 45%  |
| EBITDA (adj.)                   | 10.9%                   | 11.0%  |      | 10.7%                              |      |
| EBITDA margin                   | 113.4                   | 120.3  | -6%  | 429.1                              | 36%  |
| EBIT (adj.)                     | 1.8%                    | 2.0%   |      | 1.7%                               |      |
| EBIT (adj.)                     | 61.3                    | 74.8   | -18% | 247.4                              | 22%  |
| Pre-tax inc (adj.)              | 50.5                    | 66.7   | -24% | 176.7                              | 19%  |
| Net profit (adj.)               | 39.3                    | 51.5   | -24% | 132.6                              | 18%  |

\*as a percentage of our full-year forecast

- At the same time, grocery retailers are set to report slow year-over-year growth in Q2 sales due to a slowdown April after strong March sales owed to the Easter effect.

- AmRest is set to register a 31% increase to a projected PLN 385.8m in 2018 Q2 revenue, driven by acquisitions and improved like-for-like sales.
- At the same time, the restaurant operator may book contraction in the quarterly EBITDA margin due to higher costs of post-merger integration and pay pressures.
- As a result, the annual rate of growth in nominal EBITDA is not likely to exceed 9%.

- Bytom's monthly sales updates for Q2 2018 indicate a quarterly revenue of PLN 56.4m, representing a year-over-year rebound of 7.6%.
- At the same time, the gross margin for the quarter will have expanded by 3.3pp to a projected 54%.
- Thanks to strict cost discipline, we anticipate a 1.6% y/y reduction in SG&A expenses.

- CCC's monthly sales updates for Q2 2018 indicate 17.7% growth to PLN 1,327m in the quarterly revenue, but they imply negative like-for-like growth of 3.9%.
- The sales margin for the period is expected to post an increase of 2.5pp at a projected 54.4% thanks to lower marketing expenses and merchandise costs, coupled with strong sales in April.
- Moreover, we anticipate an 0.6% decline from the comparable year-ago level in per-sqm SG&A expenses.

- Dino increased 2018 Q2 sales by 29% y/y to an estimated PLN 1,426m, with revenue per square meter rising by about 1%.
- Thanks to increasing economies of scale, we expect the quarterly sales margin to have widened by 0.1pp to 22.6%.
- At the same time, the EBITDA margin might narrow to an estimated 8.6% from the adjusted comparable year-ago base of 8.8% given the lower sales volume and greater pay pressures.

- Eurocash is expected to post a 2% rise to PLN 6,176m in 2018 Q2 sales revenue.
- The EBITDA margin will have tightened by 0.2pp to 1.8% on a lower sales volume coupled with higher investment in retail store upgrades.
- When it comes to segmental EBITDA, we expect to see year-over-year improvement in Wholesale accompanied by a deterioration in Retail.





| <b>Jeronimo Martins</b> |               | <b>Buy</b>       |            | <b>Reporting Date</b> |             |
|-------------------------|---------------|------------------|------------|-----------------------|-------------|
| <b>Piotr Bogusz</b>     |               | <b>EUR 16.40</b> |            | <b>25 July</b>        |             |
| <b>(EUR m)</b>          | <b>Q2'18E</b> | <b>Q2'17</b>     | <b>Y/Y</b> | <b>2018E</b>          | <b>YTD*</b> |
| Revenue                 | 4263.8        | 4075.3           | 5%         | 17972                 | 47%         |
| Gross profit            | 899.7         | 855.8            | 5%         | 3857.6                | 47%         |
| margin                  | 21.1%         | 21.0%            |            | 21.5%                 |             |
| EBITDA                  | 226.7         | 224.0            | 1%         | 1049.6                | 42%         |
| EBITDA margin           | 5.3%          | 5.5%             |            | 5.8%                  |             |
| EBIT                    | 138.7         | 136.8            | 1%         | 673.8                 | 39%         |
| Pre-tax income          | 133.7         | 132.9            | 1%         | 673.7                 | 28%         |
| Net profit              | 94.5          | 95.4             | -1%        | 465.3                 | 39%         |

| <b>Monnari</b>      |               | <b>Neutral</b> |            | <b>Reporting Date</b> |             |
|---------------------|---------------|----------------|------------|-----------------------|-------------|
| <b>Piotr Bogusz</b> |               |                |            | <b>28 August</b>      |             |
| <b>(PLN m)</b>      | <b>Q2'18E</b> | <b>Q2'17</b>   | <b>Y/Y</b> | <b>2018E</b>          | <b>YTD*</b> |
| Revenue             | 62.1          | 61.5           | 1%         | 247.8                 | 45%         |
| Gross profit        | 37.0          | 35.2           | 5%         | 143.2                 | 44%         |
| margin              | 59.5%         | 57.2%          |            | 59.1%                 |             |
| EBITDA              | 8.0           | 7.6            | 6%         | 28.7                  | 28%         |
| EBITDA margin       | 13.0%         | 12.3%          |            | 12.6%                 |             |
| EBIT                | 7.0           | 6.5            | 7%         | 24.4                  | 24%         |
| Pre-tax inc (adj.)  | 7.0           | 5.5            | 28%        | 24.7                  | 25%         |
| Net profit (adj.)   | 5.8           | 4.5            | 28%        | 20.1                  | 24%         |

| <b>TXM</b>          |               | <b>Buy</b>      |            | <b>Reporting Date</b> |             |
|---------------------|---------------|-----------------|------------|-----------------------|-------------|
| <b>Piotr Bogusz</b> |               | <b>PLN 3.48</b> |            | <b>30 August</b>      |             |
| <b>(PLN m)</b>      | <b>Q2'18E</b> | <b>Q2'17</b>    | <b>Y/Y</b> | <b>2018E</b>          | <b>YTD*</b> |
| Revenue             | 92.0          | 96.3            | -4%        | 409.4                 | 40%         |
| Gross profit        | 40.5          | 40.9            | -1%        | 174.6                 | 40%         |
| margin              | 44.0%         | 42.5%           |            | 42.6%                 |             |
| EBITDA              | -0.4          | 0.5             | -          | 5.8                   | -           |
| EBITDA margin       | -0.4%         | 0.5%            |            | 1.4%                  |             |
| EBIT                | -2.8          | -1.6            | -          | -0.5                  | -           |
| Pre-tax income      | -2.9          | -1.2            | -          | -1.4                  | -           |
| Net profit          | -2.9          | -0.8            | -          | -1.1                  | -           |

| <b>Vistula</b>      |               | <b>Overweight</b> |            | <b>Reporting Date</b> |             |
|---------------------|---------------|-------------------|------------|-----------------------|-------------|
| <b>Piotr Bogusz</b> |               |                   |            | <b>29 August</b>      |             |
| <b>(PLN m)</b>      | <b>Q2'18E</b> | <b>Q2'17</b>      | <b>Y/Y</b> | <b>2018E</b>          | <b>YTD*</b> |
| Revenue             | 192.3         | 171.9             | 12%        | 798.7                 | 44%         |
| Gross profit        | 100.3         | 90.5              | 11%        | 359.4                 | 50%         |
| margin              | 52.2%         | 52.7%             |            | 45.0%                 |             |
| EBITDA              | 24.2          | 24.5              | -1%        | 99.0                  | 31%         |
| EBITDA margin       | 12.6%         | 14.3%             |            | 12.4%                 |             |
| EBIT                | 20.4          | 20.8              | -2%        | 82.7                  | 27%         |
| Pre-tax income      | 18.8          | 17.5              | 8%         | 75.3                  | 26%         |
| Net profit          | 15.3          | 14.0              | 9%         | 60.8                  | 25%         |

\*as a percentage of our full-year forecast

■ The March timing of the 2018 Easter Holidays meant a slowdown in April grocery sales in Poland, reflected in a slower, 5% rise in the quarterly sales of the Biedronka supermarkets.

■ This, combined with higher costs due to pay rises offered to Pingo Doce staff in Portugal, and the continuing start-up costs generated by the Ara and Hebe chains, will result in EBITDA margin contraction to 5.3% in Q2 2018 from 5.5% in Q2 2017.

■ Monnari had a slow quarter in Q2 2018 in terms of sales, resulting in negative lfl growth of 3.6% and a 1% uptick to PLN 62.1m in the quarterly revenue.

■ At the same time, thanks to lower dollar prices paid for the spring-summer collections, the sales margin for the period is expected to have grown by 2.3pp to 59.5%.

■ With tight cost discipline, per-sqm SG&A expenses are set to be 0.5% lower than in Q2 2017.

■ TXM failed to grow per-square-meter sales in Q2 2018, giving rise to expectations of low quarterly profits.

■ With that said, relative to the adjusted year-ago comparable base, the recurring sales margin for the period should show a 1.5pp rebound to 44%.

■ This will be accompanied by a reduction in per-sqm SG&A expenses by an estimated 9%.

■ Based on monthly sales updates, Vistula increased revenue per square meter by 1.6% in Q2 2018 relative to the comparable year-ago period, but at the same time it experienced sales margin contraction of 0.5pp to 52.2% led by higher marketing expenses and a greater share of low-margin merchandise in the sales mix.

■ The increased advertising is expected to push the quarterly per-sqm SG&A expenses 4.9% over the year-ago level.

## Current Recommendations by Dom Maklerski mBanku

| Company                    | Recommendation | Issued On  | Price At Reco. | Target Price | Current Price | Upside/Downside | P/E         |             | EV/EBITDA   |             |
|----------------------------|----------------|------------|----------------|--------------|---------------|-----------------|-------------|-------------|-------------|-------------|
|                            |                |            |                |              |               |                 | 2018        | 2019        | 2018        | 2019        |
| <b>Financial Sector</b>    |                |            |                |              |               | <b>+24.8%</b>   | <b>12.0</b> | <b>9.9</b>  |             |             |
| Alior Bank                 | buy            | 2018-02-01 | 85.50          | 109.00       | 68.95         | +58.1%          | 9.4         | 7.9         |             |             |
| BZ WBK                     | buy            | 2018-03-05 | 357.80         | 430.00       | 328.40        | +30.9%          | 12.9        | 10.6        |             |             |
| Getin Noble Bank           | hold           | 2018-05-09 | 1.17           | 1.40         | 0.96          | +45.8%          | 19.4        | 7.2         |             |             |
| Handlowy                   | buy            | 2018-04-06 | 77.50          | 94.00        | 71.50         | +31.5%          | 14.8        | 12.1        |             |             |
| ING BSK                    | buy            | 2018-07-04 | 178.40         | 212.00       | 177.60        | +19.4%          | 14.7        | 13.0        |             |             |
| Millennium                 | reduce         | 2018-04-06 | 8.35           | 7.00         | 7.73          | -9.4%           | 13.0        | 11.8        |             |             |
| Pekao                      | buy            | 2018-02-01 | 135.90         | 157.00       | 102.50        | +53.2%          | 12.3        | 10.1        |             |             |
| PKO BP                     | hold           | 2018-04-06 | 39.74          | 38.00        | 37.40         | +1.6%           | 14.1        | 11.8        |             |             |
| Komercni Banka             | buy            | 2017-12-01 | 899.00         | 1,111 CZK    | 938.00        | +18.4%          | 12.0        | 10.2        |             |             |
| Erste Bank                 | accumulate     | 2018-06-06 | 34.78          | 40.00 EUR    | 34.32         | +16.6%          | 10.5        | 9.7         |             |             |
| OTP Bank                   | buy            | 2018-06-06 | 10,210         | 12,090 HUF   | 9,970         | +21.3%          | 10.1        | 9.3         |             |             |
| PZU                        | buy            | 2018-03-05 | 41.55          | 50.58        | 37.73         | +34.1%          | 9.7         | 9.5         |             |             |
| Kruk                       | buy            | 2018-02-02 | 222.20         | 300.94       | 218.40        | +37.8%          | 11.6        | 9.9         |             |             |
| Prime Car Management       | buy            | 2018-06-06 | 12.70          | 15.54        | 12.50         | +24.3%          | 7.0         | 6.1         |             |             |
| Skarbiec Holding           | buy            | 2018-02-02 | 30.60          | 56.30        | 25.90         | +117.4%         | 6.2         | 5.2         |             |             |
| <b>Chemicals</b>           |                |            |                |              |               | <b>+25.4%</b>   | <b>7.4</b>  | <b>7.8</b>  | <b>5.4</b>  | <b>5.7</b>  |
| Ciech                      | buy            | 2018-07-04 | 53.05          | 81.14        | 56.00         | +44.9%          | 7.4         | 7.8         | 4.9         | 5.0         |
| Grupa Azoty                | hold           | 2018-05-25 | 42.60          | 44.40        | 43.44         | +2.2%           | 14.5        | 14.9        | 5.4         | 5.9         |
| Polwax                     | buy            | 2018-05-09 | 7.80           | 16.69        | 7.16          | +133.1%         | 4.8         | 3.5         | 6.3         | 5.7         |
| <b>Oil &amp; Gas</b>       |                |            |                |              |               | <b>+19.0%</b>   | <b>9.3</b>  | <b>9.7</b>  | <b>4.9</b>  | <b>4.8</b>  |
| Lotos                      | hold           | 2018-06-29 | 54.50          | 52.51        | 57.54         | -8.7%           | 13.1        | 10.6        | 5.6         | 5.5         |
| MOL                        | accumulate     | 2018-06-29 | 2,654          | 2,995 HUF    | 2,626         | +14.1%          | 8.7         | 8.8         | 4.2         | 4.2         |
| PGNiG                      | buy            | 2018-06-29 | 5.53           | 8.28         | 5.65          | +46.5%          | 7.8         | 6.6         | 3.8         | 3.2         |
| PKN Orlen                  | reduce         | 2018-06-29 | 82.50          | 76.84        | 83.88         | -8.4%           | 10.0        | 12.3        | 6.0         | 6.9         |
| <b>Power Utilities</b>     |                |            |                |              |               | <b>+12.9%</b>   | <b>4.6</b>  | <b>4.4</b>  | <b>3.9</b>  | <b>3.4</b>  |
| CEZ                        | sell           | 2018-07-04 | 550.00         | 440.96 CZK   | 570.50        | -22.7%          | 21.5        | 20.0        | 8.6         | 8.4         |
| Enea                       | buy            | 2018-05-29 | 9.57           | 12.62        | 9.14          | +38.1%          | 4.4         | 3.4         | 3.9         | 3.4         |
| Energa                     | buy            | 2018-05-29 | 9.00           | 15.58        | 8.88          | +75.5%          | 4.6         | 4.4         | 3.4         | 3.3         |
| PGE                        | buy            | 2018-05-29 | 9.28           | 13.60        | 9.44          | +44.1%          | 5.8         | 5.6         | 3.6         | 3.4         |
| Tauron                     | buy            | 2018-05-29 | 2.01           | 2.76         | 2.18          | +26.6%          | 2.9         | 3.6         | 3.9         | 4.3         |
| <b>Telecoms, Media, IT</b> |                |            |                |              |               | <b>+8.5%</b>    | <b>19.7</b> | <b>16.7</b> | <b>7.2</b>  | <b>6.3</b>  |
| Netia                      | reduce         | 2018-06-06 | 5.00           | 4.30         | 4.95          | -13.1%          | 45.0        | 54.4        | 5.8         | 6.1         |
| Orange Polska              | buy            | 2018-04-06 | 5.83           | 7.60         | 4.49          | +69.3%          | 19.7        | 10.8        | 4.2         | 3.7         |
| Play                       | reduce         | 2018-07-03 | 24.88          | 23.50        | 21.30         | +10.3%          | 7.0         | 7.1         | 5.7         | 5.5         |
| Agora                      | buy            | 2018-04-06 | 14.50          | 18.40        | 11.35         | +62.1%          | 21.5        | 23.4        | 3.8         | 4.0         |
| Cyfrowy Polsat             | accumulate     | 2018-06-15 | 22.76          | 24.90        | 23.64         | +5.3%           | 13.8        | 11.7        | 7.2         | 6.3         |
| Wirtualna Polska           | accumulate     | 2018-04-24 | 54.00          | 60.00        | 50.00         | +20.0%          | 19.6        | 16.8        | 10.7        | 9.0         |
| Asseco Poland              | hold           | 2018-06-06 | 44.00          | 41.20        | 43.96         | -6.3%           | 15.0        | 15.7        | 8.7         | 8.2         |
| CD Projekt                 | sell           | 2018-04-06 | 114.90         | 90.80        | 201.20        | -54.9%          | 96.9        | 29.1        | 76.9        | 22.6        |
| Comarch                    | accumulate     | 2018-05-09 | 145.00         | 166.50       | 157.50        | +5.7%           | 22.7        | 16.7        | 9.0         | 7.8         |
| <b>Industrials, Mining</b> |                |            |                |              |               | <b>+28.4%</b>   | <b>10.6</b> | <b>6.6</b>  | <b>6.7</b>  | <b>4.8</b>  |
| Famur                      | buy            | 2018-05-09 | 5.94           | 6.95         | 4.66          | +49.1%          | 13.3        | 10.4        | 6.5         | 5.5         |
| Grupa Kęty                 | hold           | 2018-06-06 | 360.50         | 371.08       | 319.50        | +16.1%          | 11.1        | 11.2        | 8.1         | 8.0         |
| JSW                        | buy            | 2018-07-04 | 77.50          | 107.00       | 75.40         | +41.9%          | 4.0         | 5.6         | 2.1         | 2.5         |
| Kemel                      | hold           | 2018-05-09 | 50.80          | 53.04        | 47.95         | +10.6%          | 10.0        | 5.3         | 6.9         | 4.6         |
| KGHM                       | buy            | 2018-06-06 | 96.52          | 112.92       | 93.10         | +21.3%          | 7.7         | 6.0         | 4.5         | 3.4         |
| Stelmet                    | buy            | 2018-07-04 | 10.70          | 20.24        | 11.60         | +74.5%          | 15.7        | 7.3         | 8.0         | 5.0         |
| <b>Construction</b>        |                |            |                |              |               | <b>+47.1%</b>   | <b>8.7</b>  | <b>8.2</b>  | <b>4.1</b>  | <b>3.4</b>  |
| Budimex                    | hold           | 2018-06-06 | 153.00         | 163.00       | 110.00        | +48.2%          | 8.3         | 9.0         | 2.5         | 2.5         |
| Elektrobudowa              | hold           | 2018-06-06 | 69.00          | 71.00        | 72.80         | -2.5%           | 14.6        | 14.3        | 5.8         | 5.8         |
| Erbud                      | buy            | 2018-06-06 | 14.90          | 22.00        | 15.00         | +46.7%          | 9.2         | 7.4         | 4.1         | 3.6         |
| Unibep                     | buy            | 2018-04-06 | 7.50           | 10.10        | 5.56          | +81.7%          | 6.4         | 5.5         | 4.2         | 3.2         |
| <b>Property Developers</b> |                |            |                |              |               | <b>+23.9%</b>   | <b>7.1</b>  | <b>7.5</b>  | <b>7.3</b>  | <b>7.2</b>  |
| Atal                       | buy            | 2018-07-04 | 36.40          | 42.86        | 34.00         | +26.1%          | 6.9         | 7.3         | 6.3         | 6.8         |
| Capital Park               | buy            | 2018-04-06 | 5.95           | 8.35         | 5.30          | +57.5%          | 10.5        | 8.8         | 17.5        | 16.8        |
| Dom Development            | accumulate     | 2018-06-22 | 85.80          | 87.80        | 69.80         | +25.8%          | 7.3         | 7.6         | 5.9         | 6.5         |
| Echo                       | buy            | 2018-04-06 | 5.23           | 5.63         | 4.15          | +35.7%          | 5.7         | 5.2         | 6.8         | 7.0         |
| GTC                        | hold           | 2018-04-06 | 9.39           | 9.60         | 9.45          | +1.6%           | 11.3        | 9.8         | 15.4        | 14.4        |
| LC Corp                    | buy            | 2018-06-22 | 2.39           | 3.58         | 2.45          | +46.1%          | 5.9         | 5.4         | 7.8         | 7.3         |
| <b>Retail</b>              |                |            |                |              |               | <b>+21.8%</b>   | <b>26.0</b> | <b>16.5</b> | <b>15.1</b> | <b>10.5</b> |
| AmRest                     | reduce         | 2018-04-06 | 449.50         | 426.00       | 455.00        | -6.4%           | 47.9        | 37.6        | 15.6        | 12.5        |
| CCC                        | buy            | 2018-06-06 | 242.80         | 295.00       | 202.80        | +45.5%          | 26.5        | 15.7        | 15.1        | 10.5        |
| Dino                       | hold           | 2018-06-06 | 107.40         | 103.50       | 102.40        | +1.1%           | 31.4        | 23.5        | 19.5        | 15.0        |
| Eurocash                   | buy            | 2018-04-06 | 24.41          | 30.70        | 19.25         | +59.5%          | 20.2        | 15.6        | 6.6         | 5.6         |
| Jeronimo Martins           | buy            | 2018-06-06 | 13.52          | 16.40 EUR    | 13.02         | +26.0%          | 17.6        | 16.5        | 7.7         | 7.0         |
| LPP                        | accumulate     | 2018-06-18 | 9,025          | 10,200       | 9,100         | +12.1%          | 25.6        | 21.0        | 14.0        | 11.6        |
| TXM                        | buy            | 2018-07-04 | 1.28           | 3.48         | 1.53          | +127.5%         | -           | 5.1         | 19.4        | 4.6         |
| <b>Other</b>               |                |            |                |              |               | <b>+2.0%</b>    | <b>11.0</b> | <b>10.0</b> | <b>7.3</b>  | <b>6.7</b>  |
| PBKM                       | hold           | 2018-06-06 | 73.00          | 76.26        | 74.80         | +2.0%           | 11.0        | 10.0        | 7.3         | 6.7         |



## Current Calls by Dom Maklerski mBanku

| Company                    | Relative Positioning | Rated On   | Price At Rating | Current Price | Change | P/E         |             | EV/EBITDA  |            |
|----------------------------|----------------------|------------|-----------------|---------------|--------|-------------|-------------|------------|------------|
|                            |                      |            |                 |               |        | 2018        | 2019        | 2018       | 2019       |
| <b>Industrials</b>         |                      |            |                 |               |        | <b>15.5</b> | <b>10.6</b> | <b>6.0</b> | <b>5.3</b> |
| Ailleron                   | neutral              | 2018-03-28 | 16.20           | 13.20         | -18.5% | 15.7        | 13.7        | 7.1        | 5.7        |
| Asseco BS                  | neutral              | 2018-03-28 | 28.00           | 26.70         | -4.6%  | 15.5        | 14.1        | 10.3       | 9.5        |
| Asseco SEE                 | overweight           | 2018-04-26 | 11.70           | 11.50         | -1.7%  | 10.5        | 10.1        | 4.6        | 4.2        |
| Atende                     | overweight           | 2018-03-28 | 4.25            | 3.88          | -8.7%  | 9.0         | 8.2         | 5.6        | 5.3        |
| Wasko                      | neutral              | 2018-05-30 | 1.68            | 1.91          | +13.7% | 16.1        | 10.6        | 6.0        | 5.1        |
| <b>Industrials</b>         |                      |            |                 |               |        | <b>8.9</b>  | <b>10.5</b> | <b>6.1</b> | <b>6.0</b> |
| Alumetal                   | neutral              | 2017-07-31 | 46.99           | 47.00         | +0.0%  | 9.3         | 10.2        | 7.8        | 7.7        |
| Amica                      | overweight           | 2018-06-06 | 121.00          | 112.00        | -7.4%  | 7.9         | 6.4         | 5.2        | 4.3        |
| Apator                     | neutral              | 2018-02-28 | 24.00           | 22.50         | -6.3%  | 12.4        | 12.9        | 7.2        | 7.3        |
| Boryszew                   | neutral              | 2017-11-30 | 9.85            | 6.48          | -34.2% | 8.2         | 7.9         | 6.0        | 5.6        |
| Elemental                  | neutral              | 2018-04-27 | 1.09            | 1.03          | -5.5%  | 4.1         | 3.6         | 4.4        | 3.9        |
| Ergis                      | neutral              | 2018-04-27 | 4.06            | 3.80          | -6.4%  | 8.5         | 8.0         | 6.1        | 5.7        |
| Forte                      | neutral              | 2018-04-27 | 50.70           | 39.50         | -22.1% | 16.9        | 10.7        | 11.8       | 9.2        |
| Kruszwica                  | neutral              | 2017-03-29 | 63.50           | 63.40         | -0.2%  | 17.3        | 17.7        | 10.2       | 10.1       |
| Mangata                    | neutral              | 2018-06-22 | 90.00           | 94.00         | +4.4%  | 12.8        | 12.7        | 8.0        | 7.6        |
| Pfleiderer Group           | overweight           | 2018-04-27 | 37.30           | 35.90         | -3.8%  | 17.0        | 15.2        | 6.2        | 5.8        |
| Pozbud                     | overweight           | 2017-11-13 | 2.98            | 3.67          | +23.2% | 6.6         | 3.7         | 5.9        | 2.6        |
| Tarczyński                 | neutral              | 2018-05-30 | 14.50           | 14.50         | +0.0%  | 7.8         | 10.8        | 5.5        | 6.1        |
| <b>Construction Sector</b> |                      |            |                 |               |        | <b>19.3</b> | <b>9.2</b>  | <b>5.5</b> | <b>4.5</b> |
| Elektrotim                 | neutral              | 2018-05-28 | 5.80            | 5.80          | +0.0%  | 35.2        | 14.8        | 6.5        | 5.6        |
| Herkules                   | neutral              | 2018-01-25 | 3.67            | 2.97          | -19.1% | 9.3         | 6.5         | 5.0        | 4.1        |
| Torpol                     | neutral              | 2018-05-28 | 6.40            | 4.64          | -27.5% | 21.7        | 6.7         | 6.0        | 3.6        |
| Trakcja                    | underweight          | 2018-05-18 | 3.65            | 2.56          | -29.9% | 20.1        | 18.3        | 5.0        | 4.9        |
| Ulma                       | neutral              | 2018-05-28 | 73.00           | 70.50         | -3.4%  | 8.7         | 8.5         | 3.5        | 3.4        |
| ZUE                        | neutral              | 2018-05-28 | 5.86            | 5.80          | -1.0%  | 18.6        | 10.0        | 7.5        | 6.0        |
| <b>Property Developers</b> |                      |            |                 |               |        | <b>7.0</b>  | <b>6.0</b>  | <b>9.5</b> | <b>5.7</b> |
| Archicom                   | overweight           | 2018-06-22 | 15.00           | 14.90         | -0.7%  | 7.0         | 4.8         | 6.5        | 5.2        |
| BBI Development            | neutral              | 2018-04-26 | 0.66            | 0.54          | -18.2% | 12.5        | 6.0         | 13.3       | 5.7        |
| i2 Development             | neutral              | 2018-06-22 | 15.40           | 17.30         | +12.3% | 5.3         | 6.0         | 8.4        | 7.2        |
| JWC                        | neutral              | 2018-06-22 | 3.48            | 3.45          | -0.9%  | 9.4         | 3.7         | 9.5        | 4.2        |
| Lokum Deweloper            | overweight           | 2018-06-22 | 18.80           | 17.60         | -6.4%  | 5.9         | 6.7         | 4.4        | 5.2        |
| PA Nova                    | neutral              | 2018-03-29 | 22.30           | 18.85         | -15.5% | 6.1         | 7.1         | 10.0       | 11.2       |
| Polnord                    | underweight          | 2018-06-22 | 9.04            | 8.88          | -1.8%  | -           | -           | -          | -          |
| Ronson                     | neutral              | 2018-06-22 | 1.09            | 1.04          | -4.6%  | 11.2        | 7.5         | 12.2       | 10.8       |
| <b>Retail</b>              |                      |            |                 |               |        | <b>11.7</b> | <b>10.2</b> | <b>7.6</b> | <b>6.6</b> |
| Bytom                      | overweight           | 2018-05-23 | 2.92            | 2.62          | -10.3% | 11.7        | 10.7        | 7.6        | 6.6        |
| Monnari                    | neutral              | 2018-07-13 | 6.60            | 6.55          | -0.8%  | 10.0        | 9.3         | 4.3        | 3.8        |
| Vistula                    | overweight           | 2018-05-23 | 4.79            | 4.38          | -8.6%  | 12.5        | 10.2        | 8.5        | 6.9        |

**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

**OVERWEIGHT (OW)** – a rating which indicates that we expect a stock to outperform the broad market  
**NEUTRAL (N)** – a rating which indicates that we expect the stock to perform in line with the broad market  
**UNDERWEIGHT (UW)** – a rating which indicates that we expect the stock to underperform the broad market

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**ACCUMULATE** – we expect that the rate of return from an investment will range from 5% to 15%  
**HOLD** – we expect that the rate of return from an investment will range from -5% to +5%  
**REDUCE** – we expect that the rate of return from an investment will range from -5% to -15%  
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**DCF** – acknowledged as the most methodologically correct method of valuation; it consists in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.

**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.

**Economic profits** – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

**Discounted Dividends (DDM)** – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.

**NAV** – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

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