



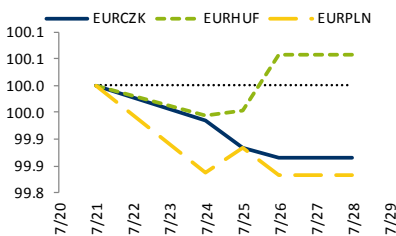
Central European Daily

Friday, 28 July 2017

Dear readers, this is the last CEDaily before our summer-break. The next report in a new format will be issued by the end of August.

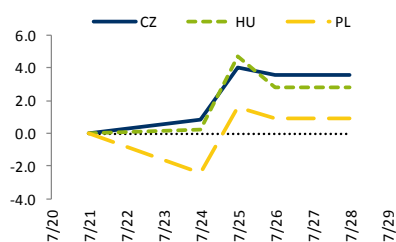
Regional Overview

Forex markets (index)



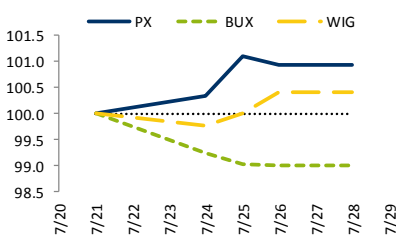
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.02	26.02	0.00
EURHUF	305.6	305.6	0.00
EURPLN	4.257	4.257	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.017	1.017	0.0
HUGB 10Y	3.10	3.10	0.0
PLGB 10Y	3.29	3.29	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1013.6	1013.6	0.00
BUX	35282	35282	0.00
WIG	62234	62234	0.00

Macro, FX, Rates: Koruna quietly eyes CNB's meeting

(CZ) FX: The Czech koruna eased slightly yesterday, but the market quietly has been awaiting the regional event next, which will be a regular Bank Board meeting of the Czech National Bank. **The outcome will be really interesting, because a rate hike is not priced-in while according to the (tight) market consensus the CNB should hike its repo rate from 0.05% to 0.25% next Thursday.**

In our view, which was supported by last call dovish comment of CNB's vice governor Tomsik, the central bank postpones a start of the hiking cycle until September, eventually until to the fourth quarter (the reason is QE of the ECB).

Equities: O2 Czech Fully In Line with Market Consensus

(CZ) O2L: O2CR has reported its consolidated results for 2Q17 today morning

In general, results fully matched both our and market consensus with slight 3.5% beat on operating income. Profitability was maintained with EBITDA at 27.6%. Company secured its O2 Brand from Telefonica until 2022 at least for unspecified price (CZK 900mn prepayment to be realized in 4Q17 and will be reflected in CAPEX in 2019 when start using) and acquired 40 MHz in 3.7 GHz spectrum for CZK 203mn. As expected, the main revenue drivers were mobile data (+17% y/y) and Slovakia (+8.8%). On the other hand, fixed line voice and fixed ICT were the main laggards losing 11.9% y/y and 12.2% y/y respectively. As of 2Q17, Slovakia generated 18.6% of total revenues, up from 17.3% in 2Q16.

Leverage (Net Debt to EBITDA) increased to ca 0.8x from ca 0.3x in 1Q17. We expect leverage to increase even further in upcoming quarters as a result of maintaining O2 Brand and ongoing business expansion in Slovakia.

On a positive note, we want to remind that buy-back program that was temporarily stopped on June 14 is still running. As of June, company buy-backed 2.2% out of 4% approved. Based on our calculation, company may support the share price at the pace of 25% of the daily volume (175th) for the next 124 days; effectively by the end of this year.

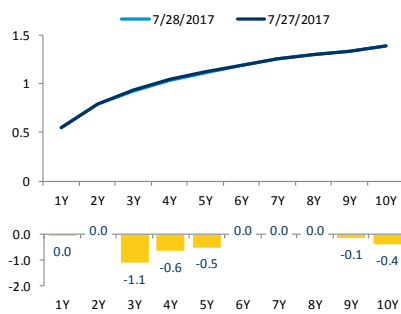
All in all, 2Q17 results were completely in line with our and market consensus. Therefore we confirm our CZK 286 target price and stick to our BUY recommendation as the company remains top regional dividend play still yielding 7.4% at least. On top of that, we expect buyback to restore soon and providing strong support by the year end.

(PL) PGE: Company reported weak set of results yesterday.

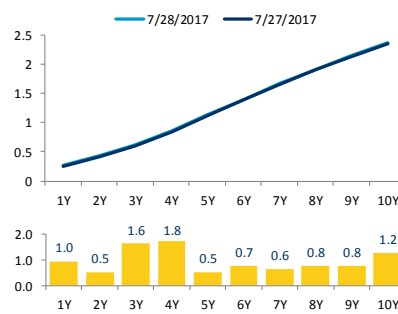
The Company failed to satisfy the market's elevated expectations regarding the Q2 results likely due to a lower power sales price combined with higher costs of CO2 emission allowances and higher costs in the coal segment.

Interest-rate Swap Curves

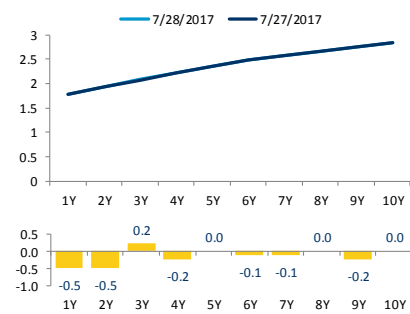
CZK *



HUF *



PLN *



* upper plot in each panel shows interest swap curve (%), lower plot shows change in interest rates in basis points

Calendar

Country	Time	Indicator	Period	Forecast		Actual		Consensus		Previous	
				m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
CZ	0:00	Earnings O2 Czech Republic	CZK	2Q/2017							
HU	0:00	Earnings Richter Gedeon Nyrt	HUF	2Q/2017							

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