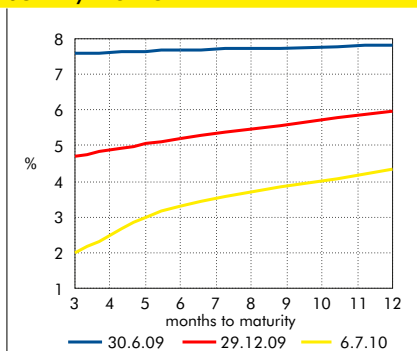


Raiffeisen Weekly Report

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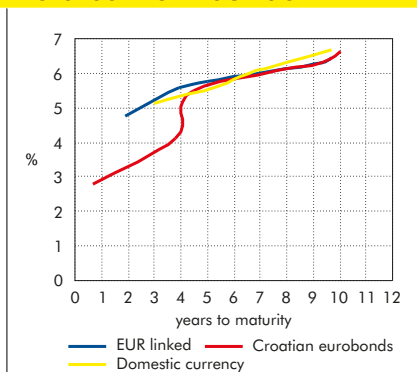
Return of the positive sentiment

Yield curve – short term, kuna



Sources: Ministry of Finance, CNB

Yield curve – bonds



Sources: Raiffeisen Research, Bloomberg

Last Week's Overview

Global sentiment has been clearly improved over the last week and CEE government bond yields came back to higher levels, spreads towards bund narrowed and currencies began slow strengthening against the EUR. Furthermore, most of the economic releases confirmed that recovery in CE region is going on. The return of risk appetite was confirmed on the polish bond auction at which Poland sold almost PLN 6 bn worth of 2y paper. Moreover, MoF in Poland decided to issue an USD 1.5 bn 5y eurobond.

Last week Croatia issued 10-year bond worth USD 1.25 bn thus returning to international capital markets for the first time in more than eight months to cover a budget shortfall. The bonds pay investors a yield of 6.75 percent and were priced at 99.102 carrying a coupon of 6.625 percent (the yield spread was 381.3 bp over comparable US Treasury). On the domestic market EUR denominated Croatian bonds were under pressure and the corrections of the prices were especially pronounced on longer maturities.

This Week's Expectations

Improvement of the global sentiment and positive economic data could continue to support CE bonds. Therefore, this week we expect to see at least stable yields. As regards the macroeconomic releases most of the countries are expecting CPI figures for June. On domestic market, MoF announced an issuance of the second tranche of domestic bonds (HRK and EUR-denominated) worth HRK 5 bn with 10-year maturity.

Government bonds in domestic market

Indexed to foreign currency (eur/hrk)	Coupon	Maturity date	Price*		Ytm		Change**		Spread BUND	Spread EUROSAP
			Bid	Ask	Bid	Ask	Price-Ask	Yield-Ask		
RHMF-O-125A	6.875	23.5.2012	103.15	103.75	5.08	4.74	-0.15	0.06	431	353
RHMF-O-142A	5.500	14.6.2014	99.15	99.65	5.74	5.60	-0.25	0.07	491	392
RHMF-O-157A	4.250	14.7.2015	93.00	93.50	5.89	5.76	-1.00	0.25	365	296
RHMF-O-19BA	5.375	29.11.2019	93.00	93.50	6.38	6.30	-1.00	0.15	380	303
RHMF-O-203E	6.500	5.3.2020	99.25	100.25	6.60	6.46	-0.25	0.04	365	333
Domestic currency										
RHMF-O-137A	4.500	11.7.2013	97.80	98.30	5.30	5.12	0.00	0.00	-	-
RHMF-O-15CA	5.250	15.12.2015	97.80	98.30	5.73	5.62	0.00	0.00	-	-
RHMF-O-172A	4.750	8.2.2017	92.90	93.40	6.08	5.98	0.00	0.00	-	-
RHMF-O-203A	6.750	5.3.2020	99.50	100.50	6.82	6.68	-0.80	0.11	-	-

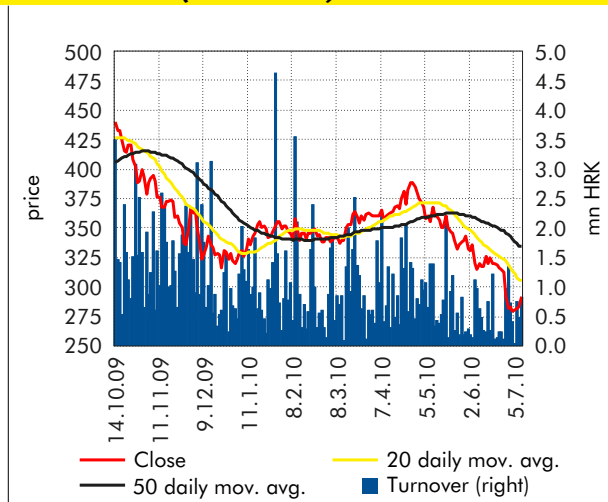
* Raiffeisen Research; ** in comparison with end of last week



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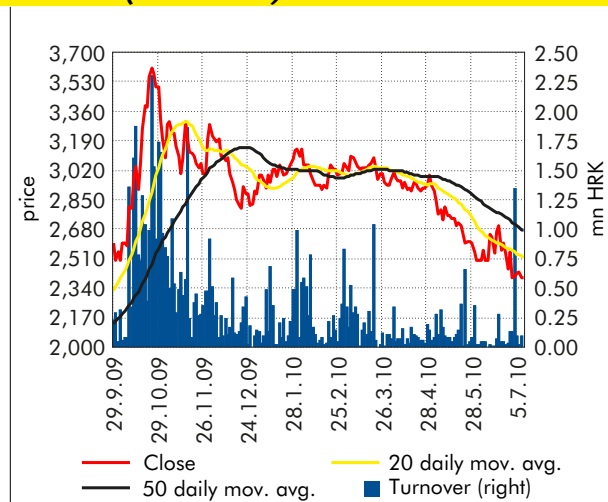
Privatisation preparations

Dalekovod (6 months)



Sources: ZSE, Raiffeisen research

JANAF (6 months)



Sources: ZSE, Raiffeisen research

The Government continued with the privatisation plans where 394 companies are on the list for potential sale of under 25% stakes, between 25% and 50% stakes sale in 31 company and 59 companies with state's stake over 50%. According to the privatisation act, under 50% stakes should be sold through a public auction process whereas over 50% stakes should be offered at the public tender.

Atlantic Grupa published plans for the EUR 83 mn capital increase through the offering of 864,305 new shares at 40 kuna a piece nominal value. The placement should be completed by the end of July. The offer will limit the priority rights. Supporting the acquisition transaction, EBRD will participate with its EUR 70 mn, EUR 40 mn in the loan form and HRK 30 mn as the equity placement. **Dalekovod** has won another contract on the Norwegian market. After they were selected to deliver the equipment for the 420 kV transmission line, the new contract hires them to construct it too. The contract is worth EUR 20 mn, assumes 90 km long transmission line with works beginning in spring 2011 and completion in 2012 end of year. This contract is part of the large investment cycle by the Norwegian company Statnett which is expected to publish a tender for another 420 kV transmission line between Orskog and Faldal (270 km distance) and Dalekovod intends to participate in the process. **Montmontaža** informed about the contract with **Jadranski naftovod** company for construction of three reservoirs in Sisak Terminal worth HRK 156 mn. Jadranski naftovod intends to invest total of HRK 400 mn in the modernisation and upgrade of capacities in 2010.

Market performance

Index	1 w %	ytd %	Value on 9.7.2010
ATX (AT)	4.52	-6.44	2,335
BELEX15 (RS)	0.78	-6.05	624
BETI (RO)	-0.81	3.06	4,834
BUX (HU)	6.18	5.70	22,438
CROBEX (HR)	-0.29	-8.97	1,824
PX (CZ)	2.01	2.17	1,142
MICEX (RU)	2.43	-1.73	3,081
SBI20 (SI)	-2.56	-13.72	848
SOFIX (BG)	-2.05	-15.02	363
SASX10 (BH)	-4.08	-15.48	890
NTX (SEE,CE,EE)	3.99	-3.11	1,121
WIG20 (PL)	0.83	-2.89	2,319.79

Source: Bloomberg

Top/Flop – CROBEX index

Share	1 w %	Price on 9.7.2010	Share	1 w %	Price on 9.7.2010
Belišće	7.14	450	Jadroplov	0.00	129
PBZ	4.06	500	HT	-0.12	260
Dalekovod	3.03	288	Viadukt	-0.79	252
Atlantic Grupa	2.49	701	Uljanik plovodba	-1.18	549
Končar	1.93	454	Viro TŠ	-1.38	300
Adris grupa (P)	1.59	255	Petrokemija	-2.26	109
Podravka	1.58	257	IGH	-3.15	1,860
Luka Ploče	0.92	1,650	Dom holding	-3.23	30
Ledo	0.85	5,900	Tehnika	-4.50	955
INA	0.77	1,698	Ericsson NT	-5.19	1,280
JANAF	0.57	2,424	Ingra	-5.78	24
Zagrebačka banka	0.21	208	Atlantska plov.	-6.40	760
Kraš	0.00	380			

Source: ZSE, Raiffeisen research



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Abbreviations

GDP – Gross Domestic Product
 kn, HRK – Kuna
 EUR – Euro
 USD – Dollar
 DZS – Croatian Bureau of Statistics

HNB – Croatian National Bank
 ECB – European Central Bank
 FED – Federal Reserve System
 IMF – International Monetary Fund
 MoF – Ministry of Finance

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