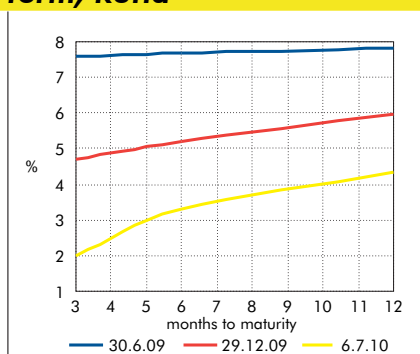


Raiffeisen Weekly Report

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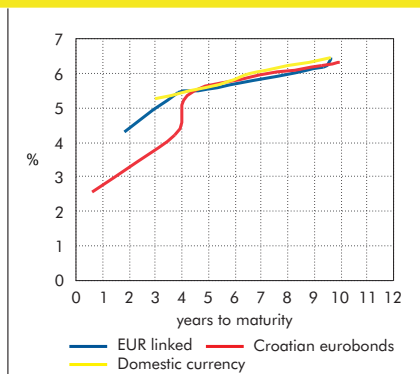
No negative spillovers from Hungary

Yield curve – short term, kuna



Sources: Ministry of Finance, CNB

Yield curve – bonds



Sources: Raiffeisen Research, Bloomberg

Last Week's Overview

The last week's main event on the CE market was the announcement that IMF/EU and Hungary negotiation has been suspended until September. However, the spillover across the region seems to be limited. Moreover, some countries such as Czech Republic appeared to be immune to the latest market jittery since prices of Czech government bonds continued to rise due to the solid demand and Moody's statement that the rating of Czech Republic could be improved. Despite the improving risk sentiment in the rest of the week and surprisingly positive economic data, the Polish bond market did not benefit much. Therefore, we saw a stable Polish yields on the weekly level. On the domestic market the supply of HRK-denominated government bonds together with FX market movements have created pressures on the bond prices. In the same time, the absence of speculative short-term supply of EUR-denominated bonds kept yields stable. Croatian international bonds denominated in USD recorded higher prices supported by the increased demand due to the redirection of financial assets in CEE markets.

This Week's Expectations

The key driver of the CE bond market would probably be the overall sentiment towards the region. However, we do not believe that possible downgrading of Hungary's credit rating would cause pressures on the other markets. On the domestic market, we expect somewhat higher demand for longest maturity of EUR-denominated bond. MoF announced the T-bills auction, the first one after two weeks.

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	103.90	104.50	4.62	4.28	0.15	-0.11	416	349
RHMF-O-142A	5.500	14.6.2014	99.70	100.20	5.59	5.44	0.10	-0.03	473	390
RHMF-O-157A	4.250	14.7.2015	94.00	94.50	5.65	5.53	0.50	-0.12	432	365
RHMF-O-19BA	5.375	29.11.2019	94.00	94.50	6.23	6.16	0.50	-0.07	401	348
RHMF-O-203E	6.500	5.3.2020	99.80	100.30	6.53	6.46	-0.20	0.03	409	374
Domestic currency										
RHMF-O-137A	4.500	11.7.2013	97.40	97.90	5.46	5.28	0.00	0.01	-	-
RHMF-O-15CA	5.250	15.12.2015	97.50	98.00	5.80	5.69	0.00	0.00	-	-
RHMF-O-172A	4.750	8.2.2017	92.80	93.30	6.10	6.01	0.00	0.00	-	-
RHMF-O-203A	6.750	5.3.2020	101.00	102.00	6.61	6.47	-0.75	0.11	-	-

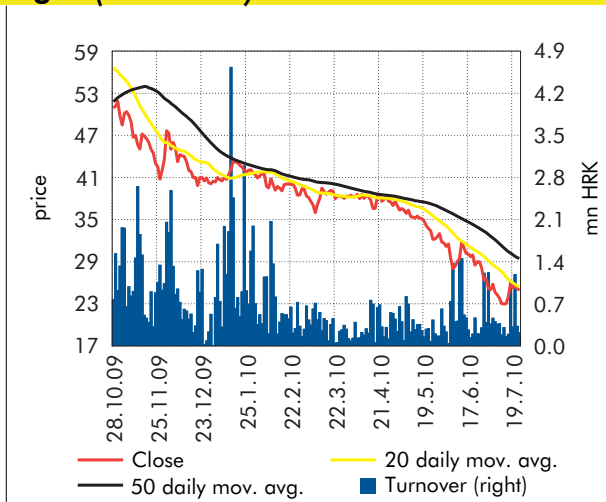
* Raiffeisen Research; ** in comparison with end of last week



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New contracts for Ericsson NT and Ingra

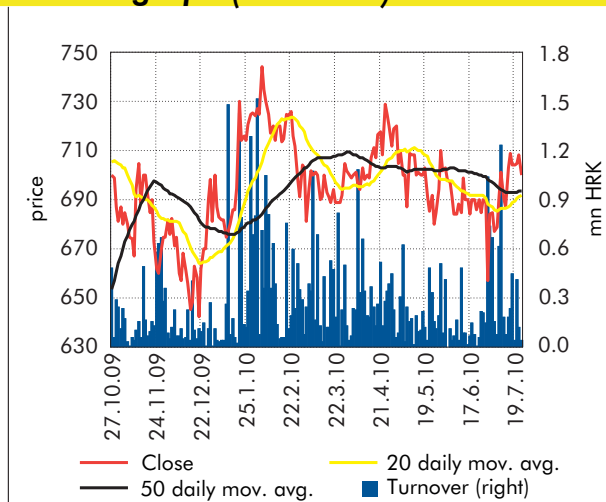
Ingra (6 months)



Sources: ZSE, Raiffeisen research

Ericsson NT signed a contract with a Crnogorski Telekom worth HRK 22mn last week. The contract covers the modernization of fixed network and the extension and upgrade of the existing mobile network of the 2G and 3G. Furthermore, **Ingra** signed two contracts in Macedonia worth EUR 4.1mn in total, for the construction of three hospitals. CPF announced the call for participation on the public auction scheduled for July 26th and 27th. Most of the stakes offered are under 1%; including **Atlantska plovidba**, Ericsson NT, **Tankerska plovidba**, etc. According to the media Russian LUKoil has completed the acquisition of INA's subsidiary Crobenz, which had to be sold due to anti-trust regulations. The price is not known yet, but it was speculated that more than HRK 20 mn was offered.

Atlantic grupa (6 months)



Sources: ZSE, Raiffeisen research

Atlantic grupa reported 1H 10 financial results. Top line increased by +1.4% yoy to HRK 1,073mn, with Sports and functional food division as key growth driver (+10.3%). Domestic sales posted a drop of 9.6% yoy (-5.1% yoy like for like) but key export market mainly saw an increase with Slovenian and Serbian markets on the lead. On the performance improvements side, measured excl. one off gains, EBITDA margin increased by 10bp and net margin a.m. increased by 50bp. Management sticks to their FY10 guidance (excl. one off gains) for +4.6% in the top line (HRK 2,300mn) and +6% of EBIT growth rate (HRK 155mn); Droga Kolinska acquisition not included. Atlantic managed to raise EUR 83mn of fresh capital which will be used for Droga Kolinska acquisition, as the total number of 864,305 shares offered, at the price of HRK 700 per piece, was subscribed and all payments have been made by the deadline expiration

Market performance

Index	1 w %	ytd %	Value on 23.7.2010
ATX (AT)	3.05	-3.95	2,397
BELEX15 (RS)	-1.36	-6.13	623
BETI (RO)	0.28	4.56	4,904
BUX (HU)	-2.69	3.13	21,891
CROBEX (HR)	-0.63	-8.01	1,844
PX (CZ)	1.15	4.39	1,166
MICEX (RU)	4.04	3.11	3,232
SBI20 (SI)	-2.11	-16.58	820
SOFIX (BG)	-0.07	-15.40	361
SASX10 (BH)	-1.25	-17.72	866
NTX (SEE,CE,EE)	2.31	-0.63	1,150
WIG20 (PL)	3.59	3.01	2,460.60

Source: Bloomberg

Top/Flop – CROBEX index

Share	1 w %	Price on 23.7.2010	Share	1 w %	Price on 23.7.2010
JANAF	9.38	2,647	Ericsson NT	-0.75	1,280
Kraš	7.99	405	Končar	-0.80	456
Petrokemija	2.61	118	INA	-1.07	1,672
Ledo	2.54	6,000	IGH	-1.15	1,720
Dom holding	0.88	32	Dalekovod	-1.76	280
Luka Ploče	0.46	1,618	Zagrebačka b.	-1.78	210
Atlantska plov.	0.25	792	Tehnika	-2.01	1,029
Atlantic Grupa	0.16	705	Adris grupa (P)	-2.24	258
Viro TŠ	0.00	301	Uljanik plovidba	-2.63	554
Belišće	0.00	450	PBZ	-3.46	502
Jadroplov	-0.15	137	Viadukt	-5.19	237
Podravka	-0.18	286	Ingra	-5.37	25
HT	-0.64	255			

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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