Economic and Strategic Research

ČESKÁ SPOŘITELNA

Czech Monthly

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Instrument	Level 30/July/10	1M Forecast		6M Forecast	
Macroeconomy – Fixed income					
CZK/EUR	24.7	↘	25.0	→	24.7
3M Pribor	1.23	↘	1.18	↘	1.15
2Y Swap	1.65	↗	1.71	↑	2.05
10Y Swap	2.81	↗	2.89	→	2.72

2Q/10 apparently very strong, we expect 2Q/10 GDP +0.9% q/q. Retail Sales mirrored unemployment that fell to 8.5% in June (before bouncing back to 8.7%) and the consumer confidence that increased up as well. Recession for consumer thus ended at the end of 1H/10. 2H/10 will see a slowdown of the dynamics (see July PMI), 2H/10 growth will be a third of 2Q/10 q/q rate. No recession, though, is expected. EURCZK too strong now, short-term weakening is forecast though year-end will be most likely below 25. We turned neutral re Czech bonds on Kalousek financing plans and new government's memorandum.

Trailing FX Trading Recommendations

#	Recommendation	Instruments	Open	Target Close	Entry Level	Current Level	Flat P/L	Flat P/L incl. carry	P/L incl. carry p.a.
44	long PLGB 10Y, short CZGB 10Y	PLGB 5,5 10/25/19 CZGB 5 04/11/19, PLNCZK	19.12.09	19.09.10	94.45 107.83	98.40 110.00	3.43 -1.97	1.8	2.7

Czech Equity Market & Recommendations

Name	Last price CZK (9.8.10)	1M (%)	Up / down	YTD (%)	1M Volumes ($ mn)	1M (%)	y/y (%)	P/E curr.	P/E 10	Recommendation	12M target	Up-down potent.
PX index	1199.5	4.5%	↗	7.4%	1259.0	-14.8%	-37.8%	11.6	11.0	--	1308	9.0%
AAA Auto	18.07	2.8%	↗	33.9%	0.1	-62.2%	-79.8%	41.1	37.7	--	--	--
CETV	432.1	-1.7%	↘	-2.9%	80.7	-16.6%	-7.6%	-14.8	-4886.5	Buy	USD 33.0	45.3%
CEZ	877	0.3%	↗	1.9%	325.0	-41.7%	-54.9%	9.1	9.3	Accum.	CZK 980	11.7%
ECM	179.9	4.9%	↗	-41.7%	0.8	-3.4%	-55.9%	-1.1	-9.9	--	--	--
Erste Bank	748.6	3.3%	↗	7.5%	222.2	-7.2%	-10.4%	12.7	12.9	--	--	--
KIT Digital	184.72	-1.8%	↘	n.a.	1.0	144.8%	--	-7.7	24.1	--	--	--
Komercni banka	4005	12.6%	↗	1.0%	233.0	10.9%	-15.1%	13.7	13.1	Hold	CZK 3850	-5.1%
NWR	231.5	5.6%	↗	29.5%	121.6	-12.7%	-4.2%	-40.0	8.1	Buy	CZK 306	32.2%
Orco	132.29	9.7%	↗	-22.3%	1.4	-35.1%	-27.0%	-0.2	2.1	Reduce	EUR 7.2	35.0%
Pegas	442.6	4.3%	↗	0.2%	3.3	-42.5%	-70.3%	7.2	7.6	Accum.	CZK 500	13.0%
Philip Morris CR	8853	1.5%	↗	1.8%	11.0	-28.4%	-60.7%	10.7	11.2	Sell	CZK 8600	-2.9%
Telefónica O2 CR	450.3	6.5%	↗	7.5%	206.2	30.0%	-53.1%	12.4	15.2	Hold	CZK 470	4.4%
Unipetrol	220.6	16.1%	↗	57.6%	48.0	5.2%	-40.5%	-47.6	39.0	Reduce	CZK 140	-36.5%
VIG	956.1	7.8%	↗	1.1%	4.8	-20.3%	62.2%	12.7	10.7	Buy	EUR 44.5	15.5%

Equity Highlights

- **PX** up by 4.5 % m/m, Unipetrol & KB advanced the most m/m on solid results, only KIT and CETV in negative territory m/m. Unipetrol continues to be the best performing stock on the PSE YTD.
- **Volumes down** significantly in July both m/m (-14.8%) and y/y (-37.8%) with USD 1.3bn for the PX; the biggest m/m volume gain recorded by KIT Digital (+145%), followed by TO2 CR (+30%). CEZ big y/y loser with -55%. Only VIG up y/y with 62.2% gain.
- **2Q 2010 results:** figures generally above estimates (CETV, KB, TO2 CR), CEZ in line, relatively solid start for Czech reporting season.
- **Events to watch**: 9 companies still to report. From bigger caps NWR (26.8.) & VIG (19.8.). Last trading day for TO2 CR on September 3 (CZK 40/share) and CEZ is due for Energa offer on August 16.
- **TA**: after consolidation Unipetrol should retreat towards CZK 209 (trading idea)

Note: the indicators show size of changes of respective indicators compared to past volatility of such instrument. The sign ↑ means appreciation of respective currency (resp. yields), the sign ↗ represents mild appreciation and respective signs for depreciation have same logic. We work with five intervals (growth, mild growth, stability, mild decline, decline), more explanations can be provided upon request. For equities current price and a price 30 days ago is used to show the changes. Upside/downside potential is calculated based on 12M target price, current share price and current exchange rate.

MACRO

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Dataflow over last few weeks did not bring many surprises, only evidence of strong 2Q/10. Industrial production rose further (on average +0.9% m/m in 01-05/2010), buoyed by strong German export activity. Unemployment edged further down to 8.5% in June before bouncing back (on usual seasonality) to 8.7% in July – seasonally-adjusted unemployment pretty much stabilized below 9% and we think there's not much of a potential for it to fall any further this year. This view is based on our (long held) view of second half of 2010 being slower than 1H/10 but in no way recessionary – economy will not be under pressure to create many jobs as the growth in 2H/10 will be around +0.2% q/q on average. Unemployment will thus be falling very slowly. This corresponds to negligible inflationary pressures in the 2H/10 – this is not only helped by still weak (though improved as against 4Q/09) labor market and low real wage growth but also by normalized (and currently slightly stronger-than-justified) crown.

The most surprising macro release over last month was thus that of retail sales for June – this rose unexpectedly high (6.6%), mainly driven by cars but also exhibiting across-the-board improvement (retail sales ex fuel and cars rose some 2%). This is a reflection of

a, stronger labor market (improvement in 2Q/10 was solid, 2Q/10 GDP will post 0.9-1% q/q gain this Friday);

b, improved consumer confidence and realization of pent-up demand.

Next few quarters will be slower than 2Q/10 – 2Q/10 growth will prove a high-water mark for at least next 4 quarters, PMI already point to some slowdown ahead. PMI in July fell 0.8 pts. to a 4-months low of 56.8 and we agree that it will fall further but we do not think it'll get below 50 – it should stay comfortably above the 50 line (separating contraction from expansion) and thus we should see continuing recovery of industry (though at a slower pace).

EURCZK had a good month. Supported by the positive EURUSD, new government's fiscal-restriction-packed memorandum, solid EMU dataflow and eased concerns regarding the South of EMU (see tightened spreads) crown ran ahead of the time and strengthened to levels not seen since Fall 2008. We think the levels of around 24.60 are a bit too strong right now (we expected these levels for the end of this year) but also that it is no disaster (yet). We think that (short-term) there will be a correction back above 25 (dataflow is bound to get weaker as we get deeper into 2H/10 may serve as a trigger) and decisive strengthening below 25 will come only in the Fall. What remains a risk is further strengthening – more so since (contrary to expectations) CNB did not raise a finger at its last rate-setting meeting last Thursday. It was widely expected that some comments aimed at reining in the Koruna would be made but Governor Singer merely remarked that "if crown stays where it is, it will be no big drama". Markets may take this a go-ahead for additional strengthening. However, dip below 24.50 would surely raise red flags all over – especially in conjunction with weaker macro data that will be flowing in.

Rate-wise, also an important month behind us. CNB did not change the rates (all 5 Board members who were present voted for rates to stay at 0.75%) and indicated the rates will stay extremely low for longer than previously thought. We also think there will be maximum of three hikes before the end of 2011. As for the bonds, we switched our view on Czech bonds to neutral few weeks ago. This is in light of the new financing strategy that new Minister of Finance M. Kalousek unveiled in June and July: he said that there'd be a tendency to finance more of the debt on the short end of the yield or that there might be a private placement or EUR- or USD-denominated (markets permitting). MinFin's financing position and options are summarized in the following table.

		CZK bn.
A	T-Bills issued in 2009 maturing in 2010	92.029
B	T-Bills issued in 2010 maturing in 2011	71.034
C=B-A	Net issuance this year	-20.995
D	Net issuance of T-Bills, allowed by 2010 Financing Strategy	20
E=D-C	Remaining issuance of T-Bills allowed in 2010	40.995
F	Bonds issued to data	102.91
G	Estimated 2010 total gross financial need	290
H=G-F-B	Uncovered financial need as of today	116.05
I=H-E	Financial need to be covered by bonds	75.06

If MinFin issues all the T-Bills that it can (by 2010 Financing Strategy) then what needs to be covered by bonds is CZK 75 bn. If this is done locally, then local yields would go back above 4% (10Y). If this is done internationally, then it won't be cheaper but local yields will remain depressed. If you add new government's position that makes Czech assets more attractive (Moody's said they may consider an upgrade of rating if gov't promises are fulfilled), then there won't be large pressure on yields to rise.

EQUITIES

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Comments & Highlights

Czech earnings season: Slightly positive surprise to date, cautious recovery

Most big caps presented already their 2Q 10 results (NWR will report on Aug 26) with overall slightly positive surprise (2% above on the net income) and also with slightly positive impression:

- **CEZ** presented net income at CZK 11.2bn (-29%y/y vs. restated 2Q 09 numbers), fully in line with estimates. EBITDA was with 8%y/y decrease some 2.6% below estimates. The decrease in EBITDA was as expected driven by lower wholesale el. prices y/y, while sold volumes moderately grew. The negative surprise came from CE distribution, where the company suffered from higher mandatory purchases of solar power. CEZ confirmed its FY 2010 guidance for EBITDA (CZK 88.7bn, -2.6%y/y) and net income (CZK 46.7bn, -10%y/y) and increased estimated output by 3% to a 7.7%y/y growth. We see a risk CEZ will not meet the EBITDA guidance due to solar power purchases, but this will be offset by increased distribution tariffs in 2011 or 2012.

- Very good results presented **Komercni Banka** with 12.2% y/y net income growth or 8.5% beat on EPS thanks to both significantly lower provisioning (mainly thanks to improving mid and large corporates, NPL decreased q/q) and moderately growing income from fees (+2.7%) and NII (+1.2%). The only weak line was trading, which accounts for only 9% of KB's revenues. KB lowered its estimate for risk costs by 10bp.
- **Erste** bank presented solid figures with revenues growing by 1.6%y/y thanks to strong NII (+6.4%) and fee income (+11.2%), partly offset by low trading income. Net profit decreased by 16.7%y/y and slightly missed estimates (by 2.7%) due to higher minorities and still growing provisions (stemming from South-east Europe). Erste reiterated its provisions target for FY 10.
- **TO2 CR** reported a fall in net income again (-23.9%y/y), what is partly driven by a one-off profit from dispute settlement last year and by restructuring costs. Still, the results were 3.3% above consensus thanks to strong IT revenues and improving mobile usage. Underlying OIBDA exluding one-offs declined by 2%y/y. TO2 CR keeps its underlying OIBDA guidance at 5% to 9% decline in FY 10. We slightly decreased our 12M target price from CZK 480 to CZK 470, maintaining Hold recommendation.
- TV broadcaster **CME** presented some 10%y/y growth in revenues thanks to acquisition in Bulgaria, while the underlying development was flat with a recovery in the Czech Republic, but further worsening in SEE (Romania, Bulgaria). Net income was positive compared to a loss last year, but mainly thanks to a one-off gain form a disposal of Ukrainian assets. CME lowered guidance by 30% on EBITDA mainly due to FX (ca. 20%), the rest is due to slow SEE (BG, RO).
- **Unipetrol** presented its trading statement for 2Q 2010 with biggest surprise stemming from sales volumes in refining (up 27% y/y at 945kt). The refining margins lagged q/q with 18% drop, while petchem margin improved by ca. 12% q/q. The FY results are due on August 31, however the company already indicated that EBIT should be better than 1Q 2010 (CZK 517mn). We expect CZK 750mn. Current Ural refining margins are below USD 2/bbl and we expect 3Q 2010 results deterioration.

Selected detailed info

CEZ: 2Q 10 results worse in distribution, but outlook is confirmed

CEZ reported 2Q10 net income at CZK 11.2bn, in line with market consensus. EBITDA came in at CZK 19.9bn, 8.1% y/y down and 2.6% below consensus (0.7% below ours). Sales improved by 5.9% y/y (1.6% above) on the back of higher revenues in the distribution segment, which was boosted by the acquisition of OSSH Albania and by higher tariffs in the Czech Republic. Sales in the core CE generation segment decreased by 10% y/y due to lower wholesale power prices. EBITDA margin arrived at 44.3%, what is below last years´ 51%, but fully in line with our estimates. Main reason for the decreasing margin is higher share of distribution in CEZ's revenues. CEZ's financial result worsened from CZK -94mn to CZK -773mn (our estimate was CZK -681mn) due to growing interest costs, loss on FX translation and due to a loss from equity consolidated subsidiaries, which was partly offset with a gain in other income (MOL option). The only reason for net income above our estimates thus was lower effective tax rate (15%). **CEZ confirmed its FY 10 guidance for net income at CZK 46.7bn and for EBITDA at CZK 88.7bn and increased estimated power generation by 3% for FY 10 (+7.7%y/y).**

Looking at the segments, the company generated only 1.7%y/y more electricity, what is below our estimate at 4.4% growth. Lower production was offset with higher heat revenues (acquisition of Trmice plant) and with a CZK 0.8bn higher gain on CO_2 trading due to growing CO_2 prices. Generation EBITDA thus fell by 9.6% y/y to CZK 13.8bn, some 1% better than we expected. EBITDA margin in the segment arrived at 54%, roughly in line with our estimates. Revenues in the CE distribution segment went up by 17% thanks to higher tariffs and 5.6%y/y higher volumes (we expected 8.2% increase). However, CE distribution EBITDA fell by 4.6%y/y to CZK 2.7bn, what is some 7% below our estimates. While the company commented only 1H figures (still a growth y/y), we suspect the negative 2Q development is caused by higher mandatory purchases of electricity from solar power (highest purchases in 2Q-3Q).

Overall, it seems that the mandatory purchases of electricity from solar sources had more negative impact on CEZ's 2Q 10 results than we expected. The company was able to offset this development with higher heat sales and savings in SEE distribution, while positive *revaluation of CO2 permits also helped the results. The exact impact of solar power purchases on the quarterly results is difficult to estimate. Distribution tariffs in the Czech Republic should increase in 2011 or in 2012 to offset higher mandatory purchases. CEZ also confirmed its guidance and increased estimated output for 2010 to a 7.7% y/y growth. We thus see the 2Q 10 results neutral for the stock and stick to Accumulate.*

KB: Better than expected 2Q10 results on lower provisioning and good income

Komercni banka reported 2Q10 results which were better than we and consensus had expected. Net profit was up 12% y/y (+2% q/q) to CZK 3,273mn which is 4% above our forecast but 8.5% above consensus. The main divergence to our estimates came from 2.5% smaller than expected net provisions (-14% q/q, -30% y/y) helped by 50bp q/q lower NPL ratio of 6.6% (retail and corporate) due to lower new NPL formation and the performance of CZK 1.2bn already written-off NPLs. The NPL coverage was slightly up to 51.5% (vs. 50.2% in 1Q10). The major income lines were above our estimates, with net interest income 4% better than expected and up 2.3% q/q (+1.2% y/y) due to 1% sequential loan growth (mortgage loans +2.5% q/q, corporate loans and consumer loans flat q/q), as well as 0.9% q/q lower deposits and slightly higher NIM of 3.12% (vs. 3.05% in 1Q10) helped by increased asset swap spreads on government debt. Net F&C income was 2% better than expected and grew 3.6% q/q (+2.7% y/y) mainly driven by transaction fees (+4% q/q) and loan fees (+9.6% q/q). Operating costs increased 6.4% q/q (-4.8% y/y) mainly due to higher G&A expenses (+7.3% q/q) and 3.9% q/q higher personnel expenses.

In our view, the 2Q10 figures were better than we had expected but were significantly above consensus' expectations mainly due to lower provisioning on improving asset quality and strong major income lines which improved both sequentially and annually on relatively stable volumes. The operating costs grew 6% q/q and were 4% above our expectations. The good news remains the further improving asset quality both on the corporate and on the retail side. The deterioration of mortgage loan quality which accelerated in 1Q10 did not prolong in 2Q10. In fact there was a slight decrease of the 6m default rate. With 1H10 net profit contributing 56% to our FY10 forecast we feel quite comfortable at the moment.

TO2 CR: Challenging year, with much expected from 2H

Valuation and recommendation: We confirm our Hold recommendation, while **reducing our target price from CZK 480 to CZK 470**. The lower target price is driven by our lower EPS estimates (by 5.2% for 2010e and 6.5% for 2011e), as we include the restructuring costs of CZK 427mn and higher brand fees, as the mother company requested a higher rate at 1.6% of revenues for 2010 (2009: 1.3%). We also reduce our dividend estimate for 2010e-2012e from CZK 36 to CZK 34. Compared to its peer group, TO2 CR is traded at 10% and 17% premiums in terms of P/E 2011e and EV/EBITDA 2011e, respectively.

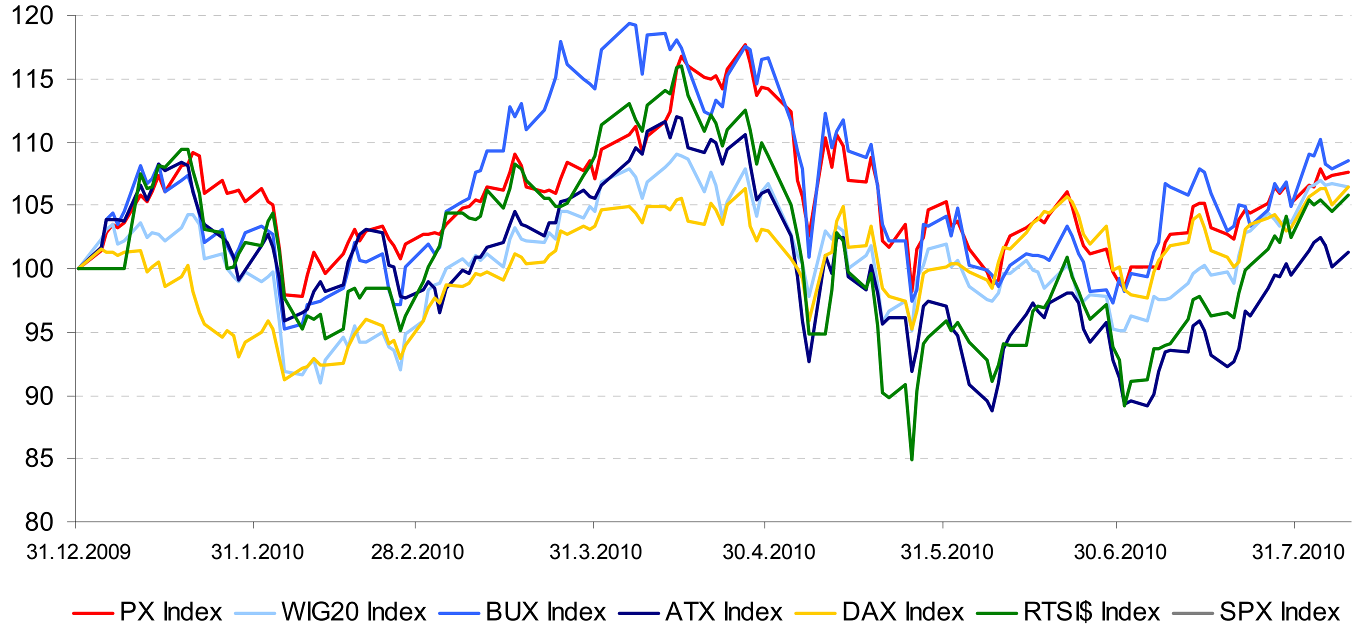
2Q10 results review: TO2 CR posted slightly higher than expected net profit, driven by stronger than expected IT, mobile and Slovak revenues, as well as lower than expected taxes (one-offs). Comparable OIBDA before brand fees, universal services, restructuring costs and one-offs fell by 1.9% y/y. The rate of decline in revenues and comparable OIBDA slowed down compared to 1Q10, which indicated some signs of recovery. However, we also saw negative developments, such as acceleration of fixed-line losses q/q, a considerable slowdown in IPTV growth and marginal mobile data revenue growth. Financial results worsened, due to FX losses related to an outstanding EUR 115mn bond. It was a patchy recovery.

Outlook 2010: TO2 CR confirmed its comparable OIBDA target of -5% to -9% y/y and its reported OIBDA target of -10% to -14% y/y. The 1H10 EBITDA decline amounted to 18% y/y. Major improvements in revenues and OIBDA are expected and needed in 2H10e, especially in 4Q10e. The strong 20%+ IT revenue growth in 2Q10 will not continue in 2H10e, due to the cautious governmental budget.

PX vs. CEE region

Prague stock exchange has been performing almost in line with other CEE markets in July. The development of CEE indices (Czech Republic, Poland, Hungary, Austria and Germany) is illustrated on the graph bellow. The best performing index continues to be Hungarian BUX (which is somewhat surprising, but can be caused by relatively few titles in the index), which is already at 88% of its peak level since 1/2008. On the lower end of the recover is the Austrian ATX currently at 55.8% of its peak level. Similar picture holds true for relative comparison since the beginning of 2010. PX Index is the second best performing index in the region this year, however still only at 67% of its peak level since 1/2008. All the indices advanced in July, moving closely correlated.

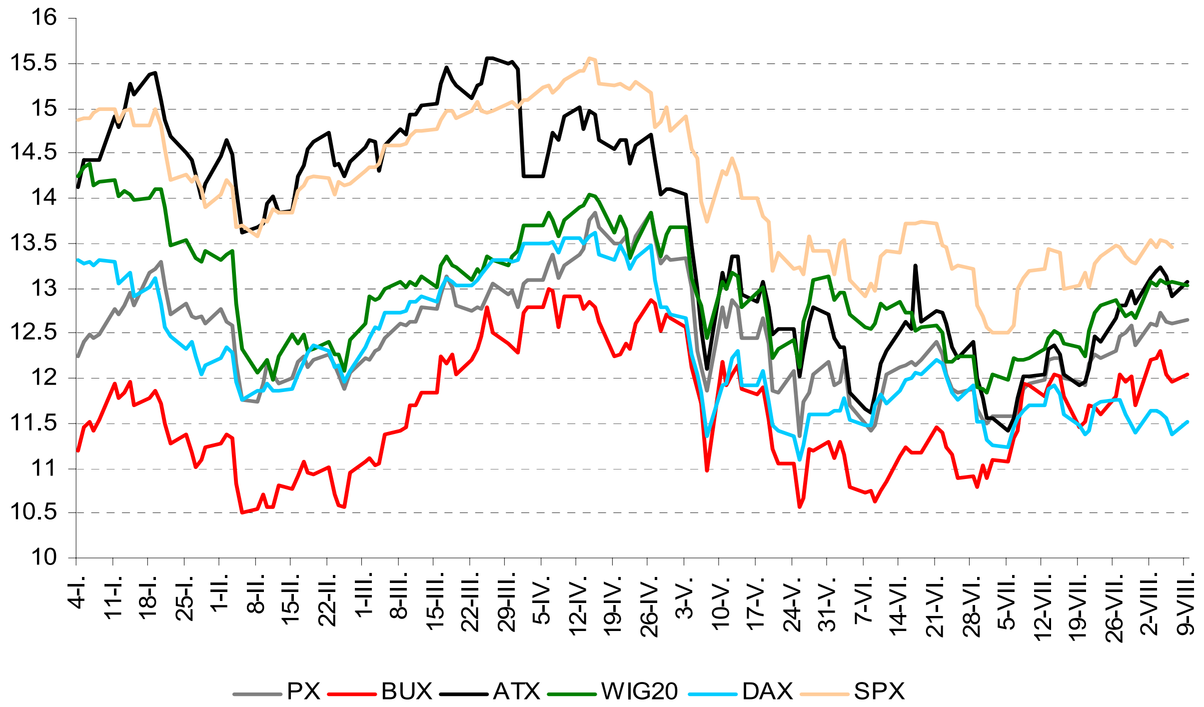
Graph: Development of PX index, other CEE indexes and SP 500 index as of beginning of 2010



Source: Bloomberg

The following graph illustrates the development of P/E2010 ratios of regional indices (including US SP500 for comparison). American SPX is still traded above the emerging CEE indices, nevertheless the gap seems to have narrowed lately. All regional P/Es advanced during July in the region with ATX leading the advance (negative EPS revisions?) with +8.8% and level of 13.1. On the other hand German DAX´s P/E2010 dropped by 1.5% to 11.5 level, despite growing index levels (upward revisions of 2Q 2010 results). PX index saw an increase by 5.8% to 12.6 level and stands in between. Naturally 2Q 2010 results and revisions will play their part (CEE region reports with delay after US and Europe). We still see the levels as attractive for investors, but need to wait for new data after reporting season. We would expect increased EPS forecasts with positive implications for relative price of indices.

Graph: Development of P/E2010 ratio of CEE indexes



Source: Bloomberg

Relative valuation

Data from Bloomberg, Factset and Erste Group research

Banks

Name	Ticker	Last price (CZK)	MCap (mn)	performance (%) weekly	monthly	YTD	3M avg volume (mn)	52 week low	52 week high
Komercni banka	KOMB CP	4001	152,077	5.6	12.0	1.8	269	3201	4259
Erste Bank*	RBAG CP	749	283,065	-4.0	2.6	8.0	227	642	890

Name	Ticker	P/E		P/BV		dividend yield		EPS growth	
		2009	2010e	2009	2010e	2009	2010e	2009	2010e
Komercni banka	KOMB CP	13.6	13.1	2.21	2.34	4.3%	4.6%	-16.4%	3.8%
Erste Bank	RBAG CP	12.5	9.0	0.97	0.88	2.2%	2.3%	-39.7%	39.1%
CEE Median		10.5	11.0	1.70	1.58	1.1%	2.2%	16.0%	-4.4%
EuroStoxx Banks		13.0	9.3	0.81	0.79	2.4%	3.8%	43.6%	38.9%

Name	Ticker	Net interest margin		ROE		loans/deposit ratio		Tier1	deposits/assets
		2009	2010e	2009	2010e	2009	2010e		2010e
Komercni banka	KOMB CP	3.2%	3.2%	17.0%	17.6%	70%	68%	13.5%	82.1%
Erste Bank	RBAG CP	2.6%	2.5%	7.8%	9.8%	113%	n.a.	11.2%	n.a.
CEE Median		4.8%	4.3%	15.1%	15.0%	89%	96%	n.a.	66.3%
EuroStoxx Banks		1.6%	1.6%	5.6%	7.8%	n.a.	n.a.	n.a.	n.a.

Utility

Name	Ticker	Last price (CZK)	MCap (mn)	performance (%) weekly	monthly	YTD	3M avg volume (mn)	52 week low	52 week high
CEZ	CEZ CP	877	467,769	0.4	-0.2	1.5	495	844	989

Name	Ticker	P/E		EV/EBITDA		dividend yield		EPS growth	
		2009	2010e	2009	2010e	2009	2010e	2009	2010e
CEZ	CEZ CP	8.9	9.2	6.6	6.7	6.4%	6.0%	11.1%	-1.0%
CEE Median		11.5	13.4	6.4	6.7	4.2%	3.5%	14.7%	-14.3%
EuroStoxx Utilities		11.8	10.8	7.1	6.8	5.8%	6.1%	21.1%	7.2%

Name	Ticker	EBITDA margin		Net margin		ROE		net debt/equity	liabilities/equity
		2009	2010e	2009	2010e	2009	2010e	2009	2009
CEZ	CEZ CP	46.4%	46.2%	26.4%	27.3%	27.6%	24.2%	63%	61%
CEE Median		36.5%	33.9%	20.1%	17.0%	11.8%	8.7%	n.a.	n.a.
EuroStoxx Utilities		27.6%	27.0%	10.6%	9.1%	12.8%	12.6%	n.a.	n.a.

Oil&Gas

Name	Ticker	Last price (CZK)	MCap (mn)	performance (%) weekly	monthly	YTD	3M avg volume (mn)	52 week low	52 week high
Unipetrol	UNIP CP	220	39,894	2.8	14.9	57.7	49	126	220

Name	Ticker	P/E		EV/EBITDA		dividend yield		EPS growth	
		2009	2010e	2009	2010e	2009	2010e	2009	2010e
Unipetrol	UNIP CP	nm	38.9	9.6	7.0	0.0%	0.0%	n/m	n/m
CEE Median		14.7	10.7	6.8	6.3	0.0%	2.6%	41.8%	37.6%
EuroStoxx Oil & Gas		14.5	11.2	6.2	5.1	2.6%	3.2%	-10.2%	29.6%

Name	Ticker	EBITDA margin		Net margin		ROE		net debt/equity	liabilities/equity
		2009	2010e	2009	2010e	2009	2010e	2009	2009
Unipetrol	UNIP CP	4.1%	7.3%	-1.3%	1.3%	-2.2%	2.7%	3%	35%
CEE Median		9.5%	9.9%	3.6%	4.3%	7.3%	10.5%	n.a.	n.a.
EuroStoxx Oil & Gas		17.9%	18.2%	6.6%	6.4%	12.8%	13.4%	n.a.	n.a.

Telecoms

Name	Ticker	Last price (CZK)	MCap (mn)	performance (%) weekly	monthly	YTD	3M avg volume (mn)	52 week low	52 week high
Telefonica O2 CR	SPTT CP	450	144,973	2.6	6.4	7.7	179	395	500

Name	Ticker	P/E		EV/EBITDA		dividend yield		EPS growth	
		2009	2010e	2009	2010e	2009	2010e	2009	2010e
Telefonica O2 CR	SPTT CP	11.5	15.2	5.0	6.2	9.6%	7.6%	0.3%	-24.2%
CEE Median		12.6	13.4	4.9	4.9	9.3%	8.3%	-48.1%	-5.9%
EuroStoxx Telecom		11.0	11.4	5.1	4.8	7.3%	7.8%	11.2%	-3.6%

Name	Ticker	EBITDA margin		Net margin		ROE		net debt/equity	liabilities/equity
		2009	2010e	2009	2010e	2009	2010e	2009	2009
Telefonica O2 CR	SPTT CP	45.2%	41.4%	19.5%	16.8%	15.3%	13.2%	3%	20%
CEE Median		38.2%	37.4%	15.1%	14.9%	14.5%	14.3%	n.a.	n.a.
EuroStoxx Telecom		34.5%	34.9%	10.1%	10.4%	25.1%	24.2%	n.a.	n.a.

Non-financials

Name	Description	Last price (CZK)	MCap (mn)	performance (%) weekly	monthly	YTD	3M avg volume (mn)	52 week low	52 week high
CME	media	431	27,364	0.7	-5.9	-2.4	106	393	730
NWR	mining	232	61,327	1.9	5.1	43.6	176	123	286
Pegas Nonwovens	chemicals	440	4,061	0.2	3.3	-1.0	10	392	480
Philip Morris CR	personal goods	8741	23,997	-2.9	0.2	-0.6	14	7670	10300

Name	Ticker	P/E		EV/EBITDA		dividend yield		EPS growth	
		2009	2010e	2009	2010e	2009	2010e	2009	2010e
CME	CETV CP	nm	nm	-295.9	15.6	0.0%	0.0%	n/m	n/m
NWR	NWR CP	nm	7.9	11.7	4.8	0.0%	5.1%	n/m	n/m
Pegas Nonwovens	PEGAS CP	8.0	7.3	6.4	6.0	5.4%	5.5%	n/m	8.9%
Philip Morris CR	TABAK CP	10.6	11.0	5.9	6.7	9.2%	8.5%	33.9%	-3.9%

Name	Ticker	EBITDA margin		Net margin		ROE		net debt/equity	liabilities/equity
		2009	2010e	2009	2010e	2009	2010e	2009	2009
CME	CETV CP	-1.1%	20.6%	-15.1%	-0.3%	-9.0%	-0.2%	78%	59%
NWR	NWR CP	15.7%	34.3%	-5.6%	18.7%	-10.1%	44.8%	85%	75%
Pegas Nonwovens	PEGAS CP	31.9%	28.6%	15.9%	16.7%	17.8%	17.7%	79%	52%
Philip Morris CR	TABAK CP	29.9%	28.3%	20.5%	19.4%	27.3%	25.2%	-49%	44%

Financials

Name	Description	Last price (CZK)	MCap (mn)	performance (%) weekly	monthly	YTD	3M avg volume (mn)	52 week low	52 week high
Orco Property Group	real estates	131	1,837	2.5	6.5	-17.5	3	119	297
Vienna Insurance	insurance	962	123,159	3.6	9.1	8.0	7	792	1136

Name	Ticker	P/E		P/BV		dividend yield		EPS growth	
		2009	2010e	2009	2010e	2009	2010e	2009	2010e
Orco Property Group	ORCO CP	nm	4.0	1.24	0.52	0.0%	0.0%	n/m	n/m
Vienna Insurance	VIG CP	13.5	12.4	1.20	1.21	2.5%	2.9%	-17.3%	10.6%

Name	Ticker	Net margin		BV Growth		ROE		net debt/equity	liabilities/equity
		2009	2010e	2009	2010e	2009	2010e	2009	2009
Orco Property Group	ORCO CP	n.a.	6.8%	-81.5%	138.7%	n.a.	20.3%	1424%	95%
Vienna Insurance	VIG CP	4.2%	4.5%	-29.0%	-0.8%	12.8%	9.0%	n.a.	n.a.

Technical part

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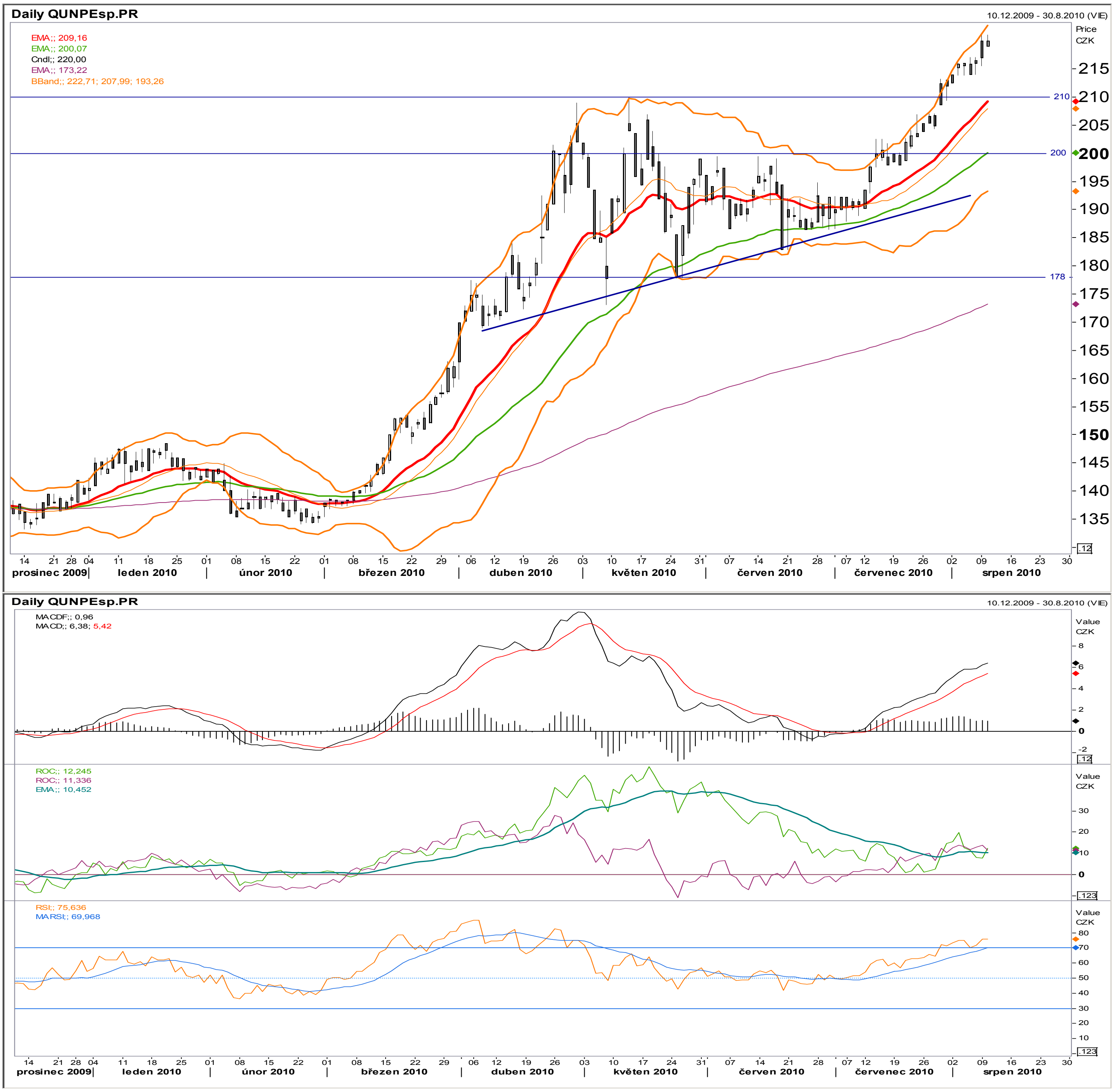
Unipetrol - SHORT

- **Main trend:** **Short-term trend:**

R1: 222,7 Upper-line of Bollinger band
S1: 210,0 Former local peak
S2: 209,2 20 MA
S3: 208,0 Mid-line of Bollinger band
S4: 192,0 Rising trend line
S5: 173,2 200 MA

- Unipetrol reached new local high during last week and is moving along upper-line of Bollinger band (BB). Main MAs (20,50,200) rising.
- MACD stable, signal line rising.
- Both ROC20 and 60 in consolidating near +10 level.
- RSI in overbought zone, its MA on the border of overbought zone.
- Unipetrol is rising along upper-line of BB and possible bounce to BB's mid-line and 20 MA currently around 209 is possible. RSI is clearly overbought and MACD not widening distance from its signal curve.
- We expect consolidation at current level for the next days. Then movement back towards 209 level is probable.



Czech Republic – Long-term prognosis

		2007	2008	2009	2010f	2011f	2012f
Real GDP	y/y %	6.1	2.3	-4.0	1.8	1.7	2.8
Household Consumption	y/y %	4.9	3.5	-0.2	-0.1	1.5	1.8
Investment	y/y %	10.9	-1.5	-9.2	-4.3	2.3	2.9
Nominal Wages	y/y %	7.3	8.4	4.0	2.1	3.5	3.6
Retail Sales	y/y %	10.2	3.2	-4.2	-1.4	2.1	2.1
Manufacturing	y/y %	9.2	7.2	-11.4	5.6	3.0	3.9
CPI	y/y %, year-end	5.4	3.6	1.0	1.8	2.5	2.2
Unemployment	(%)	6.6	5.4	8.1	9.1	9.2	9.1
Trade Balance	(% GDP)	85.1	70.9	150.3	145.1	120.4	98.0
FDI	(USD bn.)	10.4	6.5	2.7	2.8	4.3	4.4
Budget	(% GDP)	-0.7	-0.5	-5.3	-5.3	-3.9	-3.2
2W Repo	(year-end)	3.5	2.5	1.1	1.0	1.8	2.5
3M PRIBOR	(average %)	3.1	4.0	2.2	1.3	1.5	2.1
10Y Swap	(average %)	4.2	4.2	3.7	3.1	3.3	3.4
CZK / USD	(average)	20.3	17.1	19.0	19.5	19.6	17.5
CZK / USD	(year-end)	18.1	19.4	17.9	19.3	18.2	17.1
CZK / EUR	(average)	27.8	25.0	26.4	25.5	24.4	23.5
CZK / EUR	(year-end)	26.4	26.2	26.1	24.7	24.0	23.1

Calendars

Macro

	For period	Date of release	Time of release	**ČS Forecast** or Reality	Previously
CZ Monthly Forecast / August 2010		.			
Trade Balance (CZK bn.)	6/2010	already out		18.5	12.1
CPI (% m/m)	7/2010	already out		0.3%	0.0%
CPI (% y/y)	7/2010	already out		1.9%	1.2%
Unemployment (new, %)	7/2010	already out		8.7%	8.7%
Industrial production (% y/y)	7/2010	already out		10.3%	16.9%
Retail Sales (incl. cars, % y/y)	6/2010	already out		6.6%	3.1%
PPI (m/m)	7/2010	16.8.	9:00	**0.3%**	0.5%
PPI (y/y)	7/2010	16.8.	9:00	**2.5%**	2.0%
GDP, Preliminary, % q/q	2Q/2010			**0.9%**	0.5%
Current account (CZK bn.)	6/2010	11.8.	10:00	**-14.3**	-23.98
CZ Monthly Forecast / September 2010					
Average Real Wage, % y/y	2Q/2010	3.9.	9:00	**N/A**	1.5
Trade Balance (CZK bn.)	7/2010	6.9.	9:00	**N/A**	18.5
Industrial production (% y/y)	8/2010	6.9.	9:00	**N/A**	10.3%
Retail Sales (incl. cars, % y/y)	7/2010	6.9.	9:00	**N/A**	6.6%
Unemployment (new, %)	8/2010	8.9.	9:00	**N/A**	8.7%
GDP, Final % q/q	2Q/10	8.9.	9:00	**0.90%**	0.5%
CPI (% m/m)	8/2010	9.9.	9:00	**N/A**	0.3%
CPI (% y/y)	8/2010	9.9.	9:00	**N/A**	1.9%
Current account (CZK bn.)	7/2010	13.9.	10:00	**N/A**	-14.3
PPI (m/m)	8/2010	15.9.	9:00	**N/A**	0.50%
PPI (y/y)	8/2010	15.9.	9:00	**N/A**	2%

Equities

	Company	**Event**
August 2010		
16.8.	CEZ	Polish Energa offer deadline
16.8.	KIT Digital	1H 2010 Results & conference call at 4:30 pm CET
19.8.	VIG	1H 2010 Results (prior open)

25.8.	ECM	1H 2010 Results (4 pm CET, audited consolidated) + 1H Report
26.8.	Pegas NW	1H 2010 Results (prior open, CC after market)
26.8.	NWR	1H 2010 Results (prior open, 11:00 am analyst CC)
26.8.	AAA Auto	1H 2010 Results + 1H Report
31.8.	CEZ	1H Consolidated report publication
31.8.	Unipetrol	1H 2010 Results + 1H Report
31.8.	PM CR	1H 2010 Results
31.8.	Orco	1H 2010 Results (exp. after market)

September 2010

3.9.	Telefonica O2 CR	Last trading day with 2009 dividend rights (CZK 40/share), T+3 principle
8.9.	Telefonica O2 CR	Dividend record day (payment day October 6)
n.a.	Pegas	2009 dividend record day announcement (beginning of September)

Table of past investment recommendations (12M) on stocks covered within SPAD system (PX index)

ČEZ Date	12M Target price (CZK)	Recommendation	Unipetrol Date	12M Target price (CZK)	Recommendation
8.2.10	980	accumulate	28.9.2009	140	reduce
4.2.09	1230	buy	30.3.2009	120	reduce
3.9.08	1316	hold	24.9.2008	250	buy
14.2.08	1 255	hold	17.3.08	358	buy
8.6.07	1 045	hold	1.10.07	367	buy
			20.11.06	262	buy
Telefónica O2 ČR Date	**12M Target price (CZK)**	**Recommendation**	**Orco Date**	**12M Target price (CZK)**	**Recommendation**
4.8.10	470	hold	7.10.09	7,2 (€)	reduce
23.3.10	480	hold	3.4.09	3.7 (€)	reduce
13.10.09	500	accumulate	25.9.08	41 (€)	buy
12.8.09	500	hold	21.7.08	48 (€)	hold
4.5.09	550	buy			
27.5.08	700	buy			
Komerční banka Date	**12M Target price (CZK)**	**Recommendation**	**ECM Date**	**12M Target price (CZK)**	**Recommendation**
8.2.10	3 850	hold	not rated	not rated	not rated
22.10.09	3 850	hold	28.2.08	1 380	buy
29.7.09	3 290	accumulate	1.10.07	1 880	accumulate
28.4.09	2 870	accumulate	14.6.07	2 160	accumulate
CME Date	**12M Target price (USD)**	**Recommendation**	**Philip Morris CR Date**	**12M Target price (CZK)**	**Recommendation**
16.6.10	33	buy	12.3.10	8 600	sell
23.11.09	27	reduce	25.6.09	7 150	accumulate
16.2.09	35	buy	14.10.08	8 900	buy
27.2.08	93	reduce			
31.1.07	98	accumulate			
Pegas Date	**12M Target price (CZK)**	**Recommendation**	**NWR Date**	**12M Target price (CZK)**	**Recommendation**
10.3.10	500	accumulate	6.5.2010	306	buy
20.5.09	350	hold	16.4.2010	306	hold
25.4.08	505	hold	18.2.2010	211	accumulate
			3.9.2009	134	reduce
			12.6.2009	96	hold
VIG Date	**12M Target price (CZK)**	**Recommendation**			
4.2.10	44.5	buy			
21.11.08	44	buy			
11.7.08	66	buy			
23.11.07	72	buy			

Disclaimer

Ceska sporitelna, a.s., Erste Group, their subsidiaries and clients may have positions in the investment instruments referred to in the recommendations, may trade in the investment instruments of the companies referred to in the recommendations or may provide these companies with investment or banking services. The Department of Economic and Strategic Analyses of Ceska sporitelna, a.s. is organizationally and physically separated from the departments of the Division of Financial Markets of Ceska sporitelna, a.s. The interests and the possible resulting conflicts of interest of the Financial Group of Ceska sporitelna in relation to the analyzed joint-stock companies in the Czech Republic (companies traded in the SPAD system outside Erste Group) are mentioned in Table below.

Type of conflict of interest

(1) ČS and/or a related person has direct or indirect interest in the registered capital of the issuer of more than 5%.

(2) The issuer has direct or indirect interest in the registered capital of ČS and/or a related person of more than 5%.

(3) ČS and/or a related person has another major financial interest in relation to the issuer.

(4) ČS and/or a related person is the market maker or a person otherwise ensuring liquidity in relation to the financial instruments issued by the issuer.

(5) ČS and/or a related person has been in the last 12 months a supervising manager or co-supervising manager of a public tender for financial instruments issued by the issuer.

(6) ČS and/or a related person has concluded with the issuer another contract for investment services.

(7) ČS and/or a related person has concluded with the issuer an agreement regarding development and distribution of investment recommendations.

Company name	Conflict of interest (type of conflict of interest)
AAA Auto	4
CETV	4, 5, 6
CEZ	4, 5, 6
ECM	4
KIT Digital	4
Komercni banka	4
NWR	4
ORCO	4, 6
Pegas	4
Philip Morris CR	4
TO2 CR	4
Unipetrol	4
VIG	3, 4, 5

Source: CS/Erste Group

	SPAD 10	Erste Group interest (4)
Buy	10%	25%
Accumulate	30%	25%
Hold	20%	0%
Reduce	30%	50%
Sell	10%	0%

Source: CS/Erste Group

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