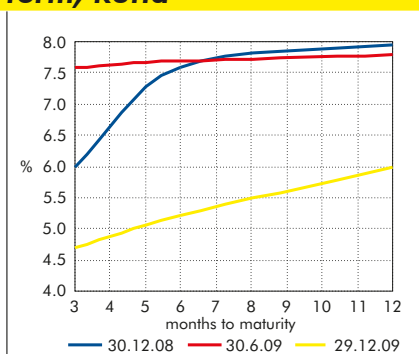


Raiffeisen Weekly Report

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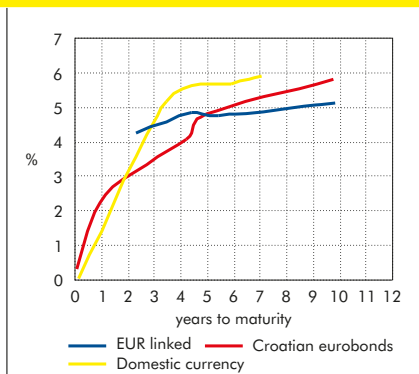
Successful tap on international markets

Yield curve – short term, kuna



Sources: Ministry of Finance, CNB

Yield curve – bonds



Sources: Raiffeisen Research, Bloomberg

Last Week's Overview

Polish government bond yields retreated slightly during the last week, especially in the long-term segment, as global risk sentiment worsened. Hungary issued 10-year bond in the amount of USD 2 bn with a 265bp spread over US Treasuries, but the interest was much higher (USD 7 bn). The successful USD-bond issuance means that investors still have trust in countries with elevated debt levels. However, we expect the current positive sentiment towards Hungary to deteriorate approaching the second half of 2010. The auction of the new 3-year Czech government bond attracted quite a strong demand. Overall government bond yields remained stable, while the yield spread between 10-year Czech bonds and the respective Euro benchmark declined by around 10 basis points. On the domestic bond market high liquidity, low interest rates and the absence of T-bills auctions supported the demand for HRK-denominated bonds. On weekly level, HRK-denominated bonds' prices did not record significant changes.

This Week's Expectations

Besides spillover of global markets and economic announcements that are planned for this week, we expect focus on riskier assets with high risk premia to continue (at least in a short run). This week central bank in Czech Republic will hold its regular monetary policy board meeting. The domestic market is expected to continue with good liquidity and moderate demand for government bonds. MoF announced T-bill auction (first in this year). This will surely attract investors and determine the yields' movements on government debt market.

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	104.70	105.70	4.70	4.25	0.30	-0.15	342	299
RHMF-O-142A	5.500	14.6.2014	101.60	102.60	5.08	4.83	0.20	-0.05	315	273
RHMF-O-157A	4.250	14.7.2015	96.00	97.50	5.10	4.78	0.50	-0.11	273	233
RHMF-O-19BA	5.375	29.11.2019	98.00	102.00	5.64	5.11	0.00	0.00	248	221
Domestic currency										
RHMF-O-103A	6.750	8.3.2010	100.45	100.65	2.06	0.06	0.00	-0.66	-	-
RHMF-O-13CA	4.500	11.7.2013	96.90	97.90	5.50	5.17	0.10	-0.03	-	-
RHMF-O-15CA	5.250	15.12.2015	96.50	98.00	5.96	5.65	0.50	-0.10	-	-
RHMF-O-172A	4.750	8.2.2017	92.40	93.40	6.10	5.91	-0.50	0.10	-	-

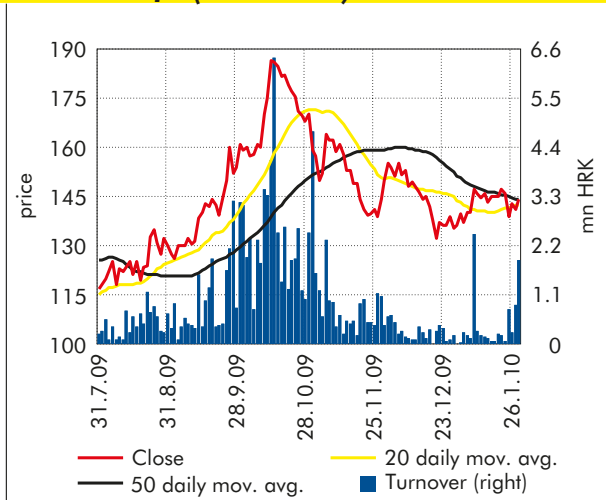
* Raiffeisen Research; ** in comparison with end of last week



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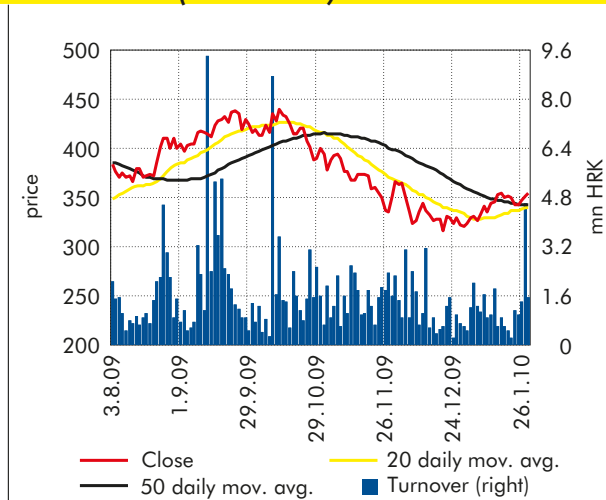
New contracts for Dalekovod in Norway

Petrokemija (6 months)



Sources: ZSE, Raiffeisen research

Dalekovod (6 months)



Sources: ZSE, Raiffeisen research

First FY2009 reports appeared at the very end of January. **Petrokemija** posted 33.5% yoy lower FY2009 revenues of HRK 1.9bn, due to drop in demand and fertilizers' prices. At the same time the company was faced with increased natural gas price, a key production input, which is why EBIT of HRK -242.1mn was realized (HRK +83.7mn in 2008). Petrokemija took on the cost cutting measures, i.e. workforce reduction of 10.5% and 13% reduction in wages. When it comes to 2010 performance, the Management claims that any increase of natural gas price above 15%, would put operations continuity at risk. **Podravka** reported 2% yoy FY2009 lower top line and EBIT loss of HRK 166mn, mainly because of risks detected in crime investigation amounting HRK 267.6 mn, severance payments of HRK 29mn as well as asset impairment and debt revaluation of HRK 39mn. Excluding the one-offs, EBIT amounts to HRK 170mn, which is +10% yoy higher. The bottom line loss stands at HRK 281.4mn.

Dalekovod won a EUR 6mn deal for steel construction of 429kV transmission line in Norway on Sima Samnanger project. Delivery should be finalized by November 2011. Furthermore, they signed frame agreement with electricity operator Statnett, for a delivery of 60% of total equipment necessary for transmission lines construction in following 3 years period, with the extension option. On Thursday the Government defined models for the financing of measures designed to help economic recovery and development. First auctions for loans to be co-financed by the government and for guarantees could be expected in mid-February.

Market performance

Index	1 w %	ytd %	Value on 29.1.10
ATX (AT)	-2.65	43.51	2,513
BELEX15 (RS)	-0.70	20.06	679
BETI (RO)	0.74	74.60	5,065
BUX (HU)	-0.11	76.80	21,644
CROBEX (HR)	2.22	42.06	2,203
PX (CZ)	-0.14	37.71	1,182
RTSI (RU)	-1.34	132.55	1,469
SBI20 (SI)	-0.47	11.42	4,118
SOFIX (BG)	0.59	21.42	436
SASX10 (BH)	2.71	-13.40	1,068
NTX (SEE,CE,EE)	-1.24	38.58	1,184
WIG20 (PL)	-1.25	32.85	2,377.58

Source: Bloomberg

Top/Flop – CROBEX index

Share	1 w %	Price on 29.1.10	Share	1 w %	Price on 29.1.10
Končar	7.56	515	Uljanik plovdba	0.55	644
Adris grupa (P)	5.88	288	Viadukt	0.40	331
INA	4.40	1,900	Atlantska plov.	0.39	1,034
Viro TŠ	4.05	411	Đuro Đaković H.	0.11	36
Dalekovod	4.04	356	Ledo	-0.17	6,978
IGH	3.55	2,827	Luka Ploče	-0.31	1,600
Ericsson NT	2.97	1,478	Petrokemija	-0.55	145
HT	1.39	299	Tehnika	-0.68	1,778
Zagrebačka b.	1.32	267	Ingra	-1.59	41
Tankerska plov.	1.19	1,609	Jadroplov	-1.67	177
Atlantic Grupa	1.12	724	Podravka	-1.83	349
PBZ	1.07	570	Dom holding	-3.14	43

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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