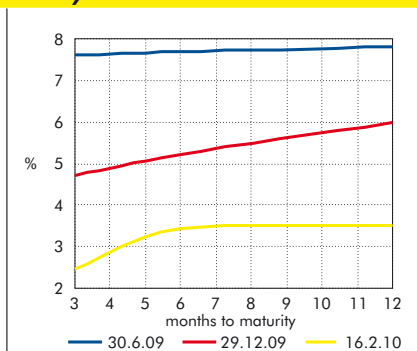


Raiffeisen Weekly Report

March 1st, 2010 • RBA Croatia Weekly Report no. 8/2010

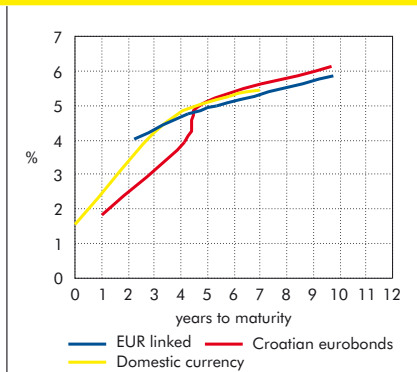
Further decrease in the CEE bonds' yields

Yield curve – short term, kuna



Sources: Ministry of Finance, CNB

Yield curve – bonds



Sources: Raiffeisen Research, Bloomberg

Last Week's Overview

Further decrease in the CEE bonds' yields has been noted even in the previous week. A slightly lower risk aversion and government plans in Czech Republic for foreign bond issuance together with the general shortage of bonds on the Czech market made the new 5-year domestic bond issuance attractive. The MPC in Poland did not change its key interest rates, nor assessment of inflation trends. However, we think that MPC will revise its assessment of mid-term inflation risks upwards and raise key interest rates at the end of Q3 2010. On the other hand, a key interest rate in Hungary has been lowered to the historically low levels (5.75%), but in our opinion either inflation or fiscal policy will not support its further lowering. Namely, fiscal concerns are going to rise pointing towards a weaker HUF and rising risk premium on HUF assets. As usual, on the domestic bond market a week passed with modest trading volumes. Last week's maturity of Croatian Eurobond and drop out of the new Eurobond issue spurred foreign investors' demand for longer Eurobond maturities, thus pushing yields down and slightly narrowing spreads compared to the reference of German bonds.

This Week's Expectations

In the absence of major economic announcements on the CEE market, we expect spillover effects from the developed markets. A potential reoccurrence in the global risk aversion due to the debt problems in the south and south-eastern Europe opens the possibility of rising yields on the CEE markets. On the domestic market, there is a possibility of new government bond issuances (both HRK and EUR denominated).

Government bonds in domestic market

Indexed to foreign currency (eur/hrk)	Coupon	Maturity date	Price*		Ytm		Change**		Spread BUND	Spread EUROWAP
			Bid	Ask	Bid	Ask	Price-Ask	Yield-Ask		
RHMF-O-125A	6.875	23.5.2012	105.00	106.00	4.49	4.03	-0.20	0.07	348	303
RHMF-O-142A	5.500	14.6.2014	101.75	102.75	5.04	4.78	0.10	-0.03	309	260
RHMF-O-157A	4.250	14.7.2015	95.50	96.50	5.22	5.00	1.15	-0.25	301	258
RHMF-O-19BA	5.375	29.11.2019	95.50	96.50	5.99	5.85	-0.50	0.07	292	258
Domestic currency										
RHMF-O-103A	6.750	8.3.2010	100.00	100.10	6.54	1.56	0.00	-0.01	-	-
RHMF-O-13CA	4.500	11.7.2013	99.00	100.00	4.82	4.50	-0.15	0.05	-	-
RHMF-O-15CA	5.250	15.12.2015	99.00	100.00	5.45	5.25	0.00	0.00	-	-
RHMF-O-172A	4.750	8.2.2017	95.00	96.00	5.63	5.45	0.00	0.00	-	-

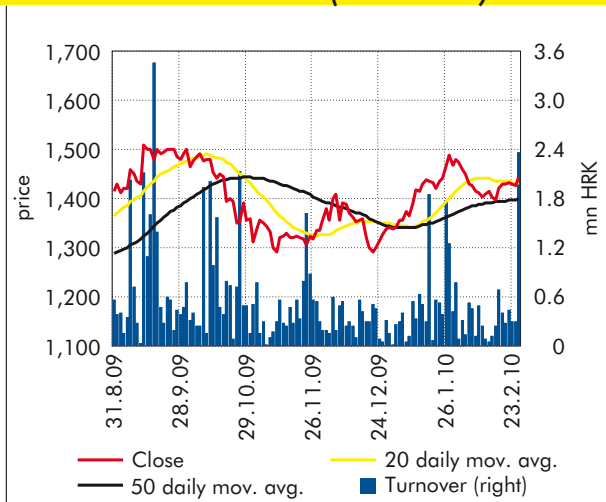
* Raiffeisen Research; ** in comparison with end of last week



**Raiffeisen
RESEARCH**
RZB Group

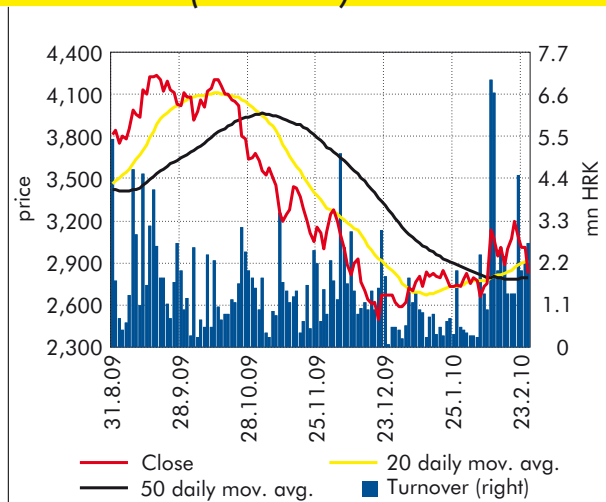
Ericsson NT's dividend of HRK 120

Ericsson Nikola Tesla (6 months)



Sources: ZSE, Raiffeisen research

Institut IGH (6 months)



Sources: ZSE, Raiffeisen research

After the information that Unicredit failed to approve guarantees for the consortium of Bar-Boljare highway was published, **Tehnika** and **Institut IGH** shares recorded a severe weekly drop. **Magma** informed that the Supervisory Board meeting will be held on March, 3. The announced topic is the model of the capital increase. According to the preliminary results, Magma posted 14.3% yoy lower sales in FY 2009. The market reacted on the news with Magma's share drop of 4.3% on Wednesday.

Ericsson NT reported FY 09 figures. The top line amounted to HRK 1.4bn (-22.2% yoy), whereas operating profit dropped by 59.7% yoy. The reason was mainly the lower gross margin due to offerings at discounted prices, product mix changes and development projects. Furthermore, the Company signed HRK 65mn worth contract with Belarus fixed operator Beltelecom for the delivery of the equipment for the extension of internet infrastructure capacity. As the proposed dividend of HRK 120 per share is higher than expected, the stock closed 1.36% up on Thursday. **Atlantic Grupa** posted FY 2009 sales of HRK 2.2bn (+9.8% yoy), EBIT of HRK 153.8mn (+18.9% yoy) and net profits a.m. of HRK 85mn (+23.9% yoy). Figures are close to FY 2009 guidance. Main growth drivers were new contracts in distribution, expansion to the SEE region with Serbia being traditionally the fastest growing market and Slovenian market increasing the stake in group's sales. The management's conservative FY 10 guidance targets HRK 2.3bn in sales and 6% higher EBIT of HRK 155mn. After the recession ends, management expects sales growth between 7% and 10% annually generated by expansion to new markets.

Market performance

Index	1 w %	ytd %	Value on 26.2.10
ATX (AT)	-5.99	-3.06	2,419
BELEX15 (RS)	-0.39	6.38	706
BETI (RO)	1.21	13.60	5,328
BUX (HU)	-1.76	-1.21	20,970
CROBEX (HR)	-2.09	6.69	2,138
PX (CZ)	-1.52	1.36	1,133
RTSI (RU)	-2.27	-3.72	1,391
SBI20 (SI)	-1.78	-3.08	3,953
SOFIX (BG)	-1.56	-0.82	424
SASX10 (BH)	-0.27	0.08	1,054
NTX (SEE,CE,EE)	-2.68	-1.37	1,142
WIG20 (PL)	-0.30	-6.11	2,242.74

Source: Bloomberg

Top/Flop – CROBEX index

Share	1 w %	Price on 26.2.10	Share	1 w %	Price on 26.2.10
Luka Ploče	3.90	1,699	Dalekovod	-2.87	338
Tankerska plov.	2.92	1,585	Petrokemija	-2.92	133
PBZ	1.55	589	Jadroplov	-2.94	165
Ericsson NT	0.77	1,441	Uljanik plovodba	-2.97	620
Viro TŠ	-0.52	388	Dom holding	-3.13	42
HT	-0.81	306	Ledo	-3.15	6,344
INA	-1.30	1,817	Končar	-3.31	468
Đuro Đaković H.	-1.37	39	Ingra	-3.94	39
Atlantska plov.	-1.40	995	Tehnika	-4.00	1,776
Viadukt	-1.84	346	Atlantic Grupa	-4.56	691
Zagrebačka b.	-1.88	256	Podravka	-5.33	321
Adris grupa (P)	-2.84	274	IGH	-8.27	2,930

Source: ZSE, Raiffeisen research



**Raiffeisen
RESEARCH**
RZB Group

Raiffeisen Consulting Economic Research Department

Zrinka Zivkovic Matijevic, MSc, Acting Head of Department; Fixed Income Market, Macroeconomics, Politics, MM and Exchange Rates; tel: + 385 1/61 74 338, email: zrinka.zivkovic-matijevic@rba.hr
 Ivana Juric, Economic Analyst; Macroeconomics, MM and Exchange Rates; tel: 01/61 74 349, email: ivana.juric@rba.hr
 Nada Harambašić, MSc, Chief Financial Analyst; Equity Market; tel: + 385 1/61 74 870, email: nada.harambasic@rba.hr
 Ana Franin, Financial Analyst; Equity Market; tel: + 385 1/61 74 388, email: ana.franin@rba.hr
 Marijana Cigić, MSc, Real estate Analyst; tel: + 385 1/61 74 359, email: marijana.cigic@rba.hr

Raiffeisenbank Austria

Anton Starčević, MSc, Chief Economist; tel: + 385 1/61 74 210, email: anton.starcevic@rba.hr

Treasury and Investment Bank Division

Ivan Žižić, Executive Director; tel: + 385 1/46 95 076, email: ivan.zizic@rba.hr

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

Publisher

Raiffeisenbank Austria d.d. Zagreb
 Petrinjska 59, 10000 Zagreb
 www.rba.hr
 tel. ++385 1/45 66 466
 fax: ++385 1/48 11 626

Publication finished on February 26th, 2010

DISCLAIMER

This publication is issued by and at the responsibility of Raiffeisenbank Austria d.d. Zagreb. The publication or any part of it cannot be considered an offer or invitation to purchase of any asset or right. Information, opinions, conclusions, forecasts and projections presented in this publication are based on public statistic and other information from resources, the completeness and accuracy of which Raiffeisenbank Austria d.d. Zagreb relies on, but which it does not guarantee. Therefore, information, opinions, conclusions, forecasts and projections presented in this publication are liable to changes depending on the changes of the information source, as well as to the changes which occurred from the moment of writing the text to the actual reading of it. All securities and other assets mentioned in this document can be an issue for taking a position by Raiffeisenbank Austria d.d. Zagreb. All such assets and rights can bear the risk on the assessment of which the stands presented in this document cannot influence. The document or its parts cannot be copied, or reproduced in any other way without quoting the source.

