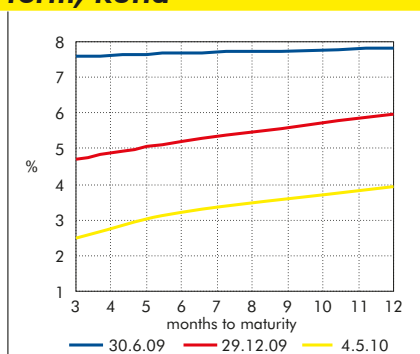


Raiffeisen Weekly Report

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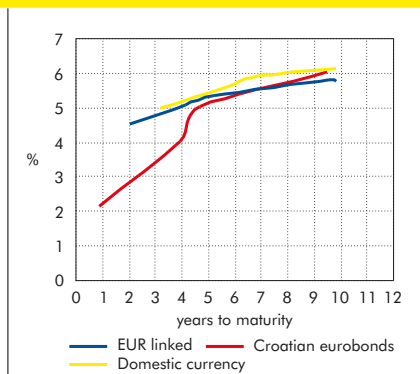
Currencies slump, yields up

Yield curve – short term, kuna



Sources: Ministry of Finance, CNB

Yield curve – bonds



Sources: Raiffeisen Research, Bloomberg

Last Week's Overview

Fiscal policy in the peripheral European countries, insecurity and uncertainty, together with a growing risk aversion continued last week and strongly affected the local CE markets causing a depreciation of the national currencies against euro and increase of government bonds yields. Focus in Hungary remained on 2010 budget (the new official expectations regarding deficit climbed to the more realistic level of 5–6% of GDP). The most surprises came from the key rate cut in Czech Republic, especially given the current market circumstances. However, according to the Czech National Bank main argument for the lower interest rate outlook is the assumption of a lower Euribor and also the new forecasts of lower GDP growth, lower inflation and stronger Czech crown. On the Croatian bond market both, HRK-denominated and EUR-denominated bonds, reported further increase of yields along the curve, while the Eurobond issues were affected by current risk aversion which led to the fall of prices and widening of spreads compared to the benchmark German securities.

This Week's Expectations

Global risk aversion is likely to remain the key short-term driver on the local CE markets, so the focus will be on the southern Eurozone member states and any negative events would cause contagion effects on the CEE local and eurobond markets. As regards the Croatian domestic market, we expect further correction of prices and same movements can be expected in Croatian Eurobond issues.

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	104.10	104.55	4.74	4.51	-0.10	0.03	413	345
RHMF-O-142A	5.500	14.6.2014	101.00	101.45	5.22	5.10	-0.05	0.01	385	3320
RHMF-O-157A	4.250	14.7.2015	94.50	95.00	5.48	5.37	-0.40	0.10	351	291
RHMF-O-19BA	5.375	29.11.2019	96.50	97.00	5.86	5.79	-0.30	0.04	310	270
RHMF-O-203E	6.500	5.3.2020	104.90	105.50	5.84	5.76	0.20	-0.03	308	284
Domestic currency										
RHMF-O-137A	4.500	11.7.2013	98.20	98.60	5.12	4.98	-0.05	0.02	-	-
RHMF-O-15CA	5.250	15.12.2015	98.00	98.50	5.67	5.56	-0.05	0.01	-	-
RHMF-O-172A	4.750	8.2.2017	93.25	93.75	5.98	5.89	-0.05	0.01	-	-
RHMF-O-203A	6.750	5.3.2020	103.90	104.50	6.21	6.13	-0.10	0.01	-	-

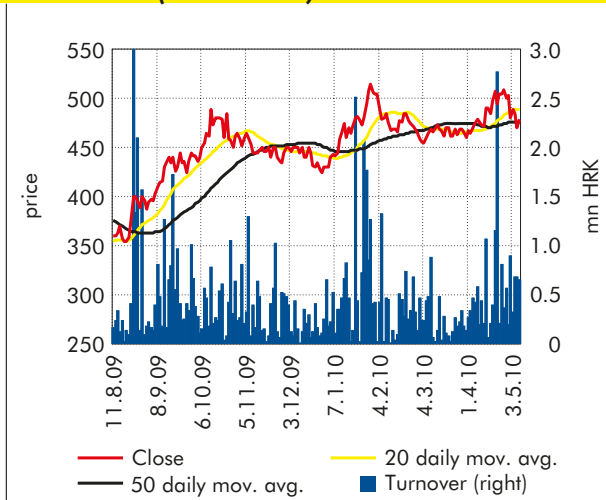
* Raiffeisen Research; ** in comparison with end of last week



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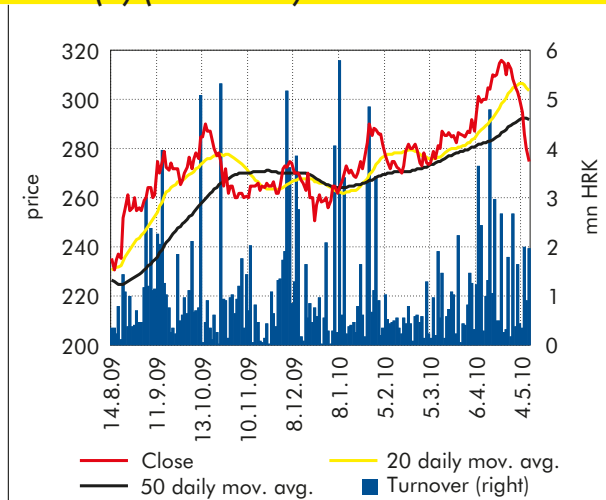
Dividends announcement season

Končar EI (6 months)



Sources: ZSE, Raiffeisen research

Adris (P) (6 months)



Sources: ZSE, Raiffeisen research

Ericsson NT signed new contracts on the CIS market, which cover new solutions and extension of current capacities in the fixed and mobile networks. Contracts are concerned the delivery of microwave solutions in the broadband network, IP solutions and access nodes. The contract amounts to over HRK 57 mn. Tehnika also signed a new contract for the construction in Biograd na Moru. The contract is worth HRK 75 mn and works are expected to be completed by mid-2011. Japan Tobacco Inc. (JTI) announced its intention to enter Croatian market and signed the EUR 120 mn worth distribution contract with Zagreb based company Fibis. After the tobacco excise tax policy changed last year to allow same treatment to TDR and foreign companies, it was expected that competition will increase. Adris grupa announced a dividend per share of 7 kuna, flat yoy. This makes less than 2% yield to the last price of preferred shares and 22% payout. Ex-dividend day is 29 June and payment will be done on 20 July. The dividend proposal for Atlantic grupa stands at HRK 8.5 per share. The ex-dividend day is June 14. Hence, the 25% dividend payment rule has been applied. The Croatian Competition Agency decided to rule out the takeover offer by Croatian Petrol Station (owned by Slavia Capital Holding Ltd) to buy Crobenz from INA because they do not have employees and are not in the oil derivatives retail business. Hence, the Agency will confine the sale of Crobenz to a commissioner and the transaction should be completed within three months time.

In the call for the AGM scheduled for June 15, the Management Board of Končar EI proposed to the shareholders to adopt the decision on listing the company in the ZSE Official Market.

Market performance

Index	1 w %	ytd %	Value on 7.5.2010
ATX (AT)	-12.08	-6.63	2,330
BELEX15 (RS)	-3.73	8.74	722
BETI (RO)	-14.31	4.63	4,908
BUX (HU)	-11.30	3.49	21,967
CROBEX (HR)	-3.97	3.56	2,075
PX (CZ)	-10.14	2.62	1,147
MICEX (RU)	-9.36	-1.37	3,092
SBI20 (SI)	-5.38	-8.14	903
SOFIX (BG)	-1.55	-3.92	411
SASX10 (BH)	-2.68	-5.93	991
NTX (SEE,CE,EE)	-11.95	-3.28	1,119
WIG20 (PL)	-7.47	-1.32	2,357.22

Source: Bloomberg

Top/Flop – CROBEX index

Share	1 w %	Price on 7.5.2010	Share	1 w %	Price on 7.5.2010
Luka Ploče	9.31	1,891	Dom holding	-5.02	38
Petrokemija	2.49	137	IGH	-5.08	2,561
Belišće	0.20	496	Dalekovod	-5.19	356
Končar	0.00	480	Uljanik plovodba	-5.29	626
Podravka	-0.30	335	Ledo	-5.56	6,280
INA	-1.20	1,780	Jadroplov	-5.70	170
HT	-1.35	270	Tehnika	-6.23	1,400
Ericsson NT	-2.41	1,622	Kraš	-7.03	344
PBZ	-2.49	584	Viro TŠ	-8.76	361
Atlantska plov.	-3.54	980	Adris grupa (P)	-9.36	275
Ingra	-4.55	36	Zagrebačka b.	-9.80	230
Atlantic Grupa	-4.58	687	Viadukt	-11.17	301
JANAF	-5.01	2,790			

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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