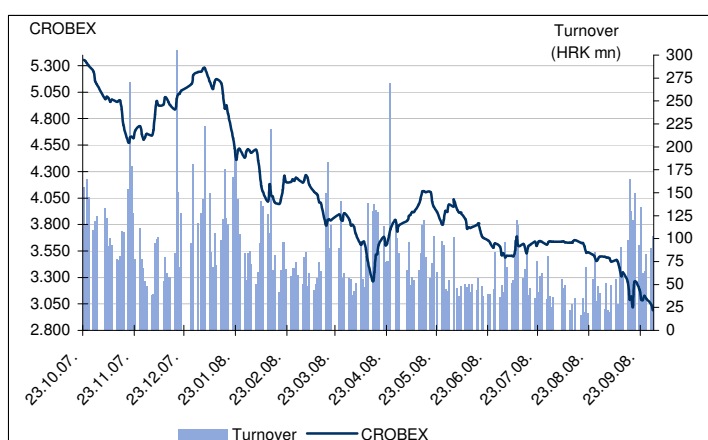




## Highlights:

- High volatility was present on the market, The CROBEX closed 1.7% in red territory
- Institutional investors to respond to MOL's offer for INA
- Atlantska plovidba buys back Pelješac from bareboat charter
- Law on smoking prohibition sent to the parliament
- Zvijezda lowers prices of products by 8.2%, investment cycle near end



## Crobex

Last close	2.991,0
Previous close	3.044,3
Turnover, mn (HRK/EUR)	102,4 14,4
Net change - % Change	-53,3 -1,75%
Performance YTD (HRK/EUR)	-42,9% -41,2%

## Market comment:

The turmoil on world equity markets caused by the deepening credit crisis resulted in another bad day on the Croatian equity market. The market had a disastrous opening, with the CROBEX sinking more than 6%. However, it managed to recover somewhat by the end of day, declining 1.7% to 2,990 points, a level last seen more than two years ago. The great majority of stocks traded on the market recorded losses, with only three winners among the 20 most liquid stocks. The biggest drops were seen in the financial sector, particularly by the biggest Croatian bank, Zagrebacka banka (-8.8%), and insurer Jadransko osiguranje (-4.8%), as well as in the shipping sector, led by Uljanik plovidba (-3.8%) and Atlantska plovidba (-3.3%), and with the exception of Jadroplov, which surged 6.1%. Among rare high turnover winners, engineering company Duro Dakovic Holding gained 2.1%, while chemical company Dioki surged 8.1%, supported by the government's decision to build an LNG terminal at a location owned by the company.

## Market outlook:

The Croatian equity market could witness sideways trading on Wednesday, in expectation of news on the U.S. financial sector bailout plan.

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## Top 10 turnovers

Stock	Turnover (HRK)	Clos. pr.	%chng.
INA-R-A	19.248.923,16	2.740,00	-1,15%
HT-R-A	16.263.230,21	258,50	-0,48%
ATPL-R-A	13.312.215,77	1.799,98	-3,23%
ADRS-P-A	7.141.900,53	304,00	-2,56%
IGH-R-A	4.933.151,58	8.150,00	-0,69%
DLKV-R-A	4.912.349,98	710,01	-2,47%
INGR-R-A	4.325.161,09	155,52	-2,26%
ERNT-R-A	3.653.044,35	1.827,00	0,11%
VIRO-R-A	2.859.888,57	749,00	-0,40%
ULPL-R-A	2.002.428,51	1.449,97	-3,85%

## Top 5 Winners

Stock	%chng.	Turnover (HRK)	Clos. pr.
RIBA-R-A	10,00%	387.955,40	660,00
JNAF-R-A	8,87%	267.733,77	2.699,96
DIOK-R-A	8,05%	552.077,82	388,99
JDPL-R-A	6,06%	953.498,91	349,99
DDJH-R-A	2,12%	628.050,75	96,00

## Top 5 Losers

Stock	%chng.	Turnover (HRK)	Clos. pr.
RIVP-R-A	-11,25%	158.556,10	355,01
SNBA-R-A	-9,47%	121.738,25	137,15
ZABA-R-A	-8,82%	1.339.545,20	310,00
HUPZ-R-A	-7,98%	583.041,00	2.110,00
FNVC-R-A	-7,97%	239.450,00	335,00

Ticker	Sector	Weight		Market capitalization			Key financial ratios					Price performance over time				
		Crobex	Price HRK	HRKmn	EURmn	P/E	P/B	P/S	EV/EBIT	EV/EBITDA	RoA	RoE	12M	6M	3M	1M
PBZ-R-A	banking	1,69%	703,0	13.409,6	1.886,6	14,3	1,6	3,0	-	-	1,6%	11,7%	-63,9%	-40,7%	-28,3%	-19,1%
ZABA-R-A	banking	3,50%	310,0	19.855,0	2.793,4	14,0	1,6	3,4	-	-	1,8%	12,0%	-49,7%	-35,6%	-20,7%	-13,9%
DIOK-R-A	chemical	0,64%	389,0	1.572,3	221,2	neg	2,2	0,6	neg	111,8	neg	neg	-5,1%	-24,9%	-19,8%	-21,9%
PTKM-R-A	chemical	1,11%	220,0	735,0	103,4	6,4	0,7	0,3	7,5	4,0	7,0%	11,8%	-18,5%	-8,3%	-4,3%	-8,7%
DLKV-R-A	construction	4,10%	710,0	1.628,6	229,1	20,2	2,9	0,8	18,1	13,8	4,9%	15,6%	-47,8%	-28,3%	-16,4%	-13,5%
HDEL-R-A	construction	0,60%	568,0	354,4	49,9	22,7	1,7	0,4	20,9	13,2	1,8%	7,7%	-67,4%	-51,5%	-26,9%	-22,3%
IGH-R-A	construction	4,87%	8.150,0	1.292,4	181,8	22,1	3,5	1,7	19,8	13,0	5,4%	17,1%	-31,5%	-22,0%	-15,1%	-12,2%
INGR-R-A	construction	3,37%	155,5	1.166,4	164,1	14,4	1,7	1,4	22,0	20,7	6,1%	14,5%	-56,7%	-37,5%	-28,2%	-22,2%
THNK-R-A	construction	1,75%	3.149,0	596,6	83,9	9,1	1,1	0,4	12,1	9,5	4,3%	11,9%	-70,1%	-49,2%	-40,1%	-29,9%
VDKT-R-A	construction	1,03%	1.000,0	460,5	64,8	114,6	2,2	0,2	50,3	11,9	0,4%	1,9%	-69,9%	-51,2%	-37,5%	-16,7%
KOEI-R-A	engineering	2,28%	518,0	1.332,4	187,5	13,4	1,1	0,5	25,0	12,6	3,4%	8,3%	-58,4%	-29,7%	-21,5%	-15,1%
DDJH-R-A	engineering	0,69%	96,0	310,8	43,7	28,1	0,8	0,4	33,9	13,0	1,4%	3,0%	-54,3%	-38,8%	-20,1%	-6,6%
LEDO-R-A	food/beverage	1,71%	7.700,0	1.695,3	238,5	25,0	3,3	1,5	22,3	16,0	7,4%	14,0%	-42,5%	-44,0%	-30,7%	-20,6%
PODR-R-A	food/beverage	4,21%	344,0	1.864,5	262,3	96,5	1,0	0,5	31,5	12,1	0,5%	1,0%	-36,3%	-12,5%	-8,3%	-5,8%
ERNT-R-A	ICT	4,57%	1.827,0	2.432,9	342,3	11,1	2,2	1,3	14,8	9,7	12,8%	17,1%	-47,5%	-32,3%	-13,9%	-12,2%
HT-R-A	telecom	15,33%	258,5	21.168,2	2.978,2	9,3	1,7	2,4	6,3	4,0	15,3%	18,3%	-32,0%	-19,2%	-5,3%	-9,0%
INA-R-A	oil	15,47%	2.740,0	27.400,0	3.855,0	20,0	1,9	1,0	26,9	12,6	5,6%	10,0%	-4,0%	23,0%	6,6%	-2,2%
BLSC-R-A	paper/cardboard	2,27%	700,0	815,0	114,7	22,5	1,6	0,6	30,9	10,8	2,3%	7,3%	-18,3%	-20,9%	-16,9%	-12,5%
KNZM-R-A	retailer	1,07%	192,5	4.370,8	614,9	20,4	4,6	0,4	15,4	12,1	4,0%	25,0%	-37,1%	-46,2%	-41,9%	-9,8%
ATGR-R-A	distribution	2,00%	584,9	1.444,7	203,3	21,5	2,2	0,8	15,0	11,1	5,2%	13,0%	-26,0%	-25,5%	-20,0%	-17,0%
LKPC-R-A	sea port	0,91%	2.400,0	534,3	75,2	23,1	3,0	3,2	16,1	12,6	10,4%	13,9%	-56,4%	-32,3%	-26,8%	-18,6%
ATPL-R-A	shipping	10,13%	1.800,0	2.511,9	353,4	4,3	1,9	1,5	5,2	4,3	22,1%	55,9%	-34,6%	-28,8%	-28,0%	-25,1%
JDPL-R-A	shipping	0,71%	350,0	572,8	80,6	10,3	0,4	1,4	5,5	2,6	3,8%	4,9%	-43,1%	-44,4%	-36,4%	-21,4%
TNPL-R-A	shipping	1,22%	2.440,0	1.528,4	215,0	6,8	0,8	1,4	6,8	4,5	7,5%	12,8%	-61,0%	-49,2%	-35,8%	-25,9%
ULPL-R-A	shipping	3,15%	1.450,0	841,0	118,3	4,9	1,3	2,6	11,2	7,7	11,1%	30,2%	-67,0%	-37,8%	-34,1%	-23,3%
VIRO-R-A	sugar	1,38%	749,0	1.038,6	146,1	20,4	2,2	1,3	22,2	16,7	5,9%	10,4%	-44,3%	-41,0%	-21,1%	-7,0%
ADRS-P-A	tobacco/tourism	9,12%	304,0	6.870,3	966,6	10,4	1,2	2,1	7,7	6,1	9,7%	12,0%	-44,7%	-23,2%	-17,8%	-19,6%
KORF-R-A	tourism	1,13%	71,0	576,0	81,0	neg	0,4	0,8	neg	15,2	neg	neg	-64,5%	-37,7%	-30,4%	-20,8%

\*All financial ratios presented in the table above are calculated based on one-year trailing financial reports

## Corporate news:

### **Institutional investors to respond to MOL's offer for INA**

A group of Croatian institutional investors, which include pension funds Allianz ZB and PBZ Croatia osiguranje, mutual funds Erste Invest and PBZ Invest, and brokerage house Auctor, announced on Tuesday that they intend to respond to MOL's offer for INA shares. Although they still find that the offered price does not reflect INA's fundamental value, institutional investors decided to sell part of their holdings in INA to MOL, due to the current turmoil on world equity markets. How many shares they sell or retain is to be decided by each of them separately. Until yesterday, a total of 138,228 INA shares (1.38% stake in the equity) were transferred to MOL's account, according to Central Depository Agency.

### **Atlantska plovidba buys back Pelješac from bareboat charter**

The Croatian shipping company announced that the ship Pelješac, which was in bareboat charter, was bought back by the company. The Pelješac went to bareboat charter in December 2006, as a replacement for the Miho Pracat, under the same conditions and price. The Pelješac is a 24 year old Panamax Bulk Carrier with capacity of 71,229 DWT. The estimated price for which the Miho Pracat (replaced by the Pelješac) was sold was USD 14mn; hence, the buyback price for the Pelješac should not deviate a lot from this amount. With this acquisition, the whole fleet is now completely owned by Atlantska plovidba.

### **Law on smoking prohibition sent to the parliament**

The Croatian government has sent its proposal on the new law on smoking prohibition to the parliament, according to which smoking will be prohibited in all public indoor spaces, including cafes and restaurants, according to Croatian daily Jutarnji list. However, the law enables caterers to separate up to 20% of surface in their objects for smokers, but they will not be served with food or drinks. The new law should be passed by October 12, a deadline set by the European Union, while it will become fully effective after six months of adjustment period.

### **Zvijezda lowers prices of products by 8.2%, investment cycle near end**

Food company Zvijezda, the biggest Croatian producer of edible oil and mayonnaise, announced on Tuesday that it will lower prices of its products by 8.2%, on average, as of October. Igor Kodzoman, CEO of Zvijezda, explained this move by the decrease in prices of materials, due to a good harvest. The company used this occasion to announce that the investment cycle worth HRK 120mn is near its end. The new refinery (worth HRK 44mn) and a packing facility (worth HRK 9mn) were already finished. In the pipeline remains a new storage facility (worth HRK 45mn), which will be finished in December, and a system of waste water management, which should cost an additional HRK 15mn until its estimated completion in April 2009. The new refinery already brought a doubling of production capacity, while some cost reduction should be also seen through water savings.

### **Croatian banks have no problems, Treasury minister says**

Treasury Minister Ivan Suker said on Tuesday that the Croatian financial sector is one of the most stable in Europe and that the Croatian banking system is exceptionally stable, with no bank currently having any kind of problems. Suker added that he talked to most of the foreign banks operating in Croatia, which assured him that their situation is stable as well.

### **LNG terminal to be built on Krk Island**

At its Tuesday session, the Croatian government accepted the proposal of the technical committee to choose the location DINA on Krk Island as the location for building an LNG terminal, Croatian media reported. Croatian Prime Minister Ivo Sanader said that construction of an LNG terminal is a top priority for the government. The following steps include further research activities and preparation, as well as talks with local authorities on their expectations for this project.

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