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This week: Yet another holiday week here in Croatia, with the majority of the offices and even shops closed and the post-holiday lull covering everything even before the snow which brought the hush over the prolonged weekend. The few official pieces of news that did appear concerned mostly optimistic looks upon the freshly arrived year, and a few announcements of strikes.

Thus, it seems, Croatian schoolgoers may enjoy an unexpected prolongation of their holidays, as the teachers announce that a large number of schools will remain with their doors locked in protest over non-teaching staff salaries. Expectedly, this produced enthusiastic reactions from the students, and less enthusiastic reactions from parents, who are now frantically seeking last-minute solutions for their progeny.

At the same time, especially with the snow and true winter weather expected in the coming weeks, extra care is recommended, as medical workers will probably also go on strike, with only the most elementary of services continuing work.

Despite this, the holiday addresses by most public officials stubbornly remain optimistic, the rosy prognoses upheld by the most recent results, such as cost of living going steadily down, and GNP reaching an almost record level of growth. However, this is the traditional time for taking stock, both literally and metaphorically, so a more realistic assesment of the situation can be expected by the end of the month.

In keeping with the season, Auctor Securities also went skiing this week, but will be back soon.



Securities Trading and Acquisitions

Week at the Markets

Huge turnover of almost 265 million.

Stock trading recovering.

In spite of just three days of trading, New Year brought very high turnover of 264,853,210.84 Kuna. Trading with stocks recovered a bit from the previous week, but not enough to reach its recent levels. CROBEX closed at 1178 (1.56%) and CROBIS at 101.6054 (0.37%).

Regarding the quotations, most of the turnover was made with the first quotation shares, 6,599,057.69 Kuna. Pliva stock traded for 4,327,153.24 Kuna, with 519.22 average. It closed at 525 (3.35%), near its 526 high. Podravka generated 2,270,104.65 Kuna turnover, closing at 203.04 (-2.15%).

In the Quotation TN, three stocks generated almost three quarters of turnover. Kraš made 1,315,088.06 Kuna, closing at 255.1 (4.12%), right in the middle between its 245 low and 265 high. ZaBa shares were traded for a total of 926,018.37 Kuna, closing at 1,300 (8.3%) after a 1,200 low. Finally, Pleter turnover was 562,178.05 Kuna, and the stock closing price was 49.3 (13.31%).

The Ministry of Finance bonds continued generating high turnovers, and DAB and HZZO fared better than the previous week.

Bond	Turnover
DAB-O-05CA	18,495,924.80
HZZO-O-047A	22,200,968.09
RHMF-O-049A	59,105,220.38
RHMF-O-08CA	61,344,557.93
RHMF-O-125A	92,823,636.15

(ZSE Web page, VSE Web page)

VSE Trading Development

CSEC cancels trading with Sunce and Pleter shares, alleges fraud.

Croatian Securities Exchange Commission demanded the annulment of trading with Sunce and Pleter shares that was made on 16th December. The two funds bought each others' shares paying much above the average, and therefore the Commission concluded that they endangered the stock market through price manipulation. The purpose of the said transaction was to increase compensations for fund management. (Na; VL(p) 12.31-19)

Trading Segments

CSEC enforces removal of shares listed in different quotations.

On 19th December, Croatian Securities Exchange Commission ruled that because of investors' protection it should not be possible for a certain stock to be listed both in the highest quotation and any of the lower ones. In consequence, VSE had to remove Pliva, Podravka and Viktor Lenac stocks from its free trade segment, together with bonds issued by the Ministry of Finance, HZZO and DAB under the tickers RHMF-O-125A, RHMF-O-049A, RHMF-O-08CA, HZZO-O-047A, DAB-O-03CA i DAB-O-05CA, since the securities in question traded at the ZSE in the highest quotation. Thus, the Commission claims that securities in question cannot be included in a lower quotation elsewhere, according to the provisions of Article 91 of the new Law on Securities Markets, prescribing the conditions for the inclusion of securities in a first quotation, thus excluding the possibility of their being included in a lower quotation at another market.

; at the same time, ZSE was ordered to remove Dom fund stock from its TN quotation, since the same stock appeared in the first quotation of VSE.

VSE received the decision on 23rd and implemented it, although it questioned its legal foundation, claiming that the article in question merely states the conditions which a security needs to fulfill in order to be allowed into a first quotation. VSE thus takes the position that there are mechanisms for protecting investors which at the same time allow choosing the most favourable place of trading. The decision effectively creates monopoly in trading with stocks from the highest quotation.

VSE sources stressed that they had not asked for any exclusivity for the trade in VSE 1st Quotation shares, and thus believes that a monopoly on trade in certain securities is not an appropriate solution, claims the official VSE statement signed by VSE Spokesperson Mr. Krunoslav Srpak. Furthermore, VSE questions as to why the Commission does not require delisting of PIF's from the TN quotation of the ZSE, as TN is a lower quotation than the Varaždin PIF quotation. (VJ 12.31-11; SD 01.02-6)



HT offers its surplus through a ZSE auction.

HT Auction on ZSE

On Monday on ZSE, HT organised auction on which it offered shares of the companies it acquired in various indirect ways, often in form of a debt payment. It sold 2,853 shares of shipyard Kraljevica, nominal value of 570,000 Kuna, for one Kuna. The same happened with Cibala Bank and Diokom shares, while Požeška and Jadranska Bank shares went for one fifth of their nominal value. (VL 12.31-6)

December on ZSE

Over 1.1 billion Kuna turnover in December.

A lot of trading with Pliva shares.

On the last day of trading in 2002, CROBEX closed at 1172.6 (0.51%) and CROBIS at 101.2746 (0.73%). Strong trading with bonds generated probably the largest monthly turnover in 2002, 1,160,547,732.60 Kuna.

With almost 109 million Kuna turnover, one can only comment that stock trading improved a lot compared to November or other months of 2002. The key reason was strong trading Pliva shares which resulted with 46,749,328.85 Kuna turnover, 10 million higher than in November. Shares sold for average price of 522.5, with 500 low and 548.98 high. It closed at 510 (-7.1%). Podravka shares sold for 19,703,142.73 Kuna, closing at 206 (3.52%).

Among the TN shares, funds Dom and Expandia had highest turnovers. Expandia shares sold for 8,357,188.16 Kuna, with 40.03 close (-4.71%). Dom turnover was 5,260,281.86 and its closing price was 62 (6.9%). PBZ traded for 5,093,492.27 Kuna turnover. It closed at 245 (3.38%).

Certificates contributed less than 0.5% of the total.

Bond	Turnover
RHMF-A-A	856099.74
RHMJ-A-A	133085.38

Here is the structure of trading with bonds.

Bond	Turnover
DAB-O-03CA	14,761,473.78
DAB-O-05CA	37,857,844.62
HZZO-O-047A	9,298,8850.25
RHMF-O-049A	204,778,242.35
RHMF-O-08CA	248,102,187.77
RHMF-O-125A	452,150,680.49

(ZSE Web page; VJ 01.04-9)

VSE in 2002

In the year 2002, Varaždin Stock Exchange registered the record level of regular turnover in the total amount of 1.36 billion Kuna. Adding to this the inter-institutional bonds trade in the amount of 338.42 million Kuna, as well as 125.3 million Kuna of public auctions for rights and cash, VSE's 2002 turnover comes to the total sum of 1.82 billion Kuna.

In the regular trade, the largest percentage, 68.53%, pertains to free market trade, which realised the turnover of 934.5 million Kuna. Follows the PIF quotation with 3056.15 million Kuna or 22.45% of the overall trade.

Individually, Dom Fund shares realised the largest turnover, in the amount of 220.82 million Kuna, 47.96 million of which was realised after the inclusion of the Closed Dom Fund in the First Quotation. Follows Velebit Fund, with the total turnover of 99.4 million Kuna, and then Riviera Holding shares, with the turnover of 94 million Kuna.

VSE sources stress that turnover was not the only exceptional result last year. The introduction of the new BTS trading system, which took place in early December, marked the inclusion of the Croatian capital market in the region, and opened the door towards the networking of the regional SE's. The first results of the co-operation with the regional markets using Ljubljana SE system will become visible by the end of January, through the exchange of market information real-time, through the Internet. What will follow will be the exchange of statistical information, as well as, finally, the exchange of price-sensitive information. The complete implementation of the network is expected in June. (VJ 01.05-9)



Privatisation and Transition

Sunčani Hvar

No decision on privatisation for SH yet.

Once again, national syndicate organisation asked the Government to decide on the future of SH as soon as possible. It believes that the recent petition, with 3,000 signatures, was manipulated and that privatisation delays might lead to plays behind the curtain. The Government postponed the decision once again.

There are observers who point out that the current situation is the worst possible. SH spent the entire 2002 in shadow of a possible privatisation, including speculations on several potential partners. However, this lead both to falling of the stock as the privatisation kept on being delayed and to stagnation of the company. (VL 12.30-2; VL 01.02-2; SD 01.03-3,5; SD 01.04-8)

Business Development

Pliva Sells Neva

Neva becomes property of Atlantic Group for 30 million Kuna.

Atlantic Group, or, rather, its daughter company Svalbard Ltd., purchased Neva from Pliva. AG acquired the leading Croatian manufacturer of cosmetic and personal hygiene products through its daughter company Svalbard Ltd. Neva was sold for 30 million Kuna. The contract, signed on Monday, guarantees continued employment for all 150 of Neva workers.

In 2001, AG purchased Cedevita from Pliva at the price of 24.2 million €. Neva, which possesses several strong market brands like Plidenta, Rosal Asebon and Dipterol, was sold by Pliva for the same reason – Pliva's orientation towards its key area of activity, pharmaceuticals. The sale was supported by German bank DEG, together with co-operation from Raiffeisenbank Austria.

Aside from its own brands, Atlantic Group also distributes a number of other world-famous brands in the area of hygiene, cosmetics, and foodstuffs. The Group's owner and chairperson, Mr. Emil Tedeschi, was voted manager of the year 2002 in the category of large companies. (SD 01.03-6; VJ 01.03-9)

Inkobrod in Trouble

Client fails to pay €400,000 to Inkobrod.

In December, Inkobrod launched an 80-metre container ship. The ship was built for Netherlands shipyard Peters for €1.7 million. However, Peters failed to pay the December instalment amounting to €400,000, so the Inkobrod bankruptcy manager refused to deliver the ship.

Although it is likely that Peters will pay, the whole situation puts question mark on their future co-operation. (SD 12.30-12)

Rivijera Sold

55.92% of Rivijera sold to importane Ltd. for 70% of their nominal value of 58.5 million Kuna.

Unofficial sources reported that hotel company Rivijera from Šibenik was sold to Ćiril Zovko, owner of Importanne Ltd. In the middle of December, the package of 55.92% of Rivijera shares, nominal value of 58,614,268.22 Kuna, was offered by Jadranska Bank with 30% discount. The bank also offered favourable loan terms to potential buyers. Allegedly, Importanne Ltd. will pay 18 million Kuna in cash.

Rivijera has three hotels in Šibenik region, with total of 1,278 beds. 30% of the company had been owned by fund Sunce, which tried to sell it on several occasions. At the beginning of December, Jadranska Bank bought that package, paying less than a quarter of its nominal value; reselling at asked price would create a significant profit. The bank already had 17% of the company, and it took additional shares in name of company debts. (SD 12.31-4)

Štimac Interested in Therapia

Therapia sold to Igor Štimac

The news that former football player Mr. Igor Štimac is interested in purchasing hotel Therapia in Crikvenica was confirmed last week by Jadran Chairperson Ms. Vesna Parat. The hotel was built in 1895, it has several apartments and 117 two-star rooms. Its value is estimated at €5 million. Štimac offer was not the highest but more complete and most favourable among all bids received. If he gets the property – as he did, according to unofficial information – he would invest into creating a four- or five-star establishment.

The offer made by Kultus, a Split-registered company, in the name of Mr. Štimac, was €5.4 million, plus taking over of Jadran debts towards Klagenfurt-based Hypo Alpe-Adria Bank. Jadran had 15 objects; it put on sale seven of them and already sold two in order to cover its debts.

After the first offer of € 4.6 million, the offer by Mr. Štimac was increased by 800,000 €, which will cover Jadran's debt towards HAA bank, the starter of the proceedings over Therapia, Riviera and Kaštel hotels. According to Ms. Parat, the sale of Therapia to Kultus is verified under the



obligation that the hotel's operation be improved, and the hotel adapted to receive a 4-star rating. Thus, the sale of Therapia will save another Jadran-owned hotel, Kaštel, from going to the block, as well as cover the debts towards Jadran's 570 employees, totalling some 40 million Kuna. (SD 12.31-1,5; VL 01.02-7; VJ 01.05.-9)

Jadrantekstil Bankruptcy

Although the company has 47.3 million on its accounts, its creditors cannot agree how to share the money.

Creditors of the bankrupted company – Dubrovačka Bank, Zagrebačka Bank, Tisak, Koteks and Jadrantekstil employees - failed to settle out of court. Dubrovačka Bank, or more precisely, DAB, wanted 27 million, in spite of court decision which acknowledged 8 million. Jadrantekstil has 47.3 million Kuna on its blocked accounts. (SD 12.31-19)

Industry

Milk Buyout Prices

New regulations to support higher quality of production.

New regulations are now in practice. Producers providing high quality milk may achieve as much as 15% higher price, while low quality products will be sold for 10% lower amount, if at all. (VL 01.02-7)

Registration of Farmers

Increasing number of registrants.

Farmers who submit incorrect information in their applications can be fined with up to 100,000 Kuna. After registration, they will get permits identifying them as producers allowed to sell products on the market.

By the last Sunday in 2002, the State received 7,239 registration applications. Considering that 1,511 applications came during last two days, one might conclude that the rate of registration is increasing. (SD 12.30-9; SD 12.31-9)

Elka Aristotele Launched

Second launch successful.

On Monday, Brodosplit successfully launched tanker Elka Aristotele, built for a Greek ship-owner. The tanker, 228 m long and weighing over 55,000 tons, was supposed to be launched on 11th November but the launch failed due to circumstances that remain unknown for the time being.

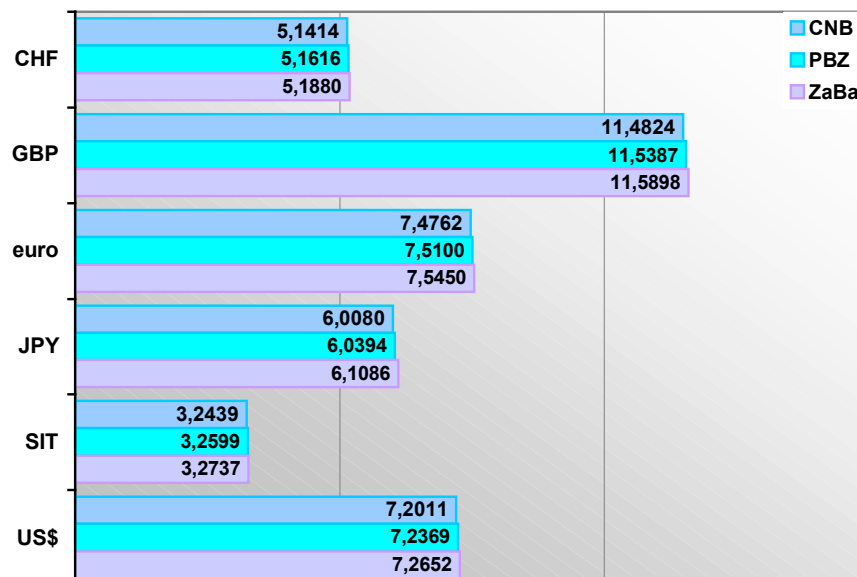
Brodosplit already placed keel on the slipway for yet another tanker. The new construction is worth 51 million US\$, the vessel will be 266 metres long and it will be the largest ship ever built in Croatia, at least in one piece. The order was placed by Tankerska plovidba from Zadar. (VL 12.31-2; SD 12.31-1,19)

Financial, Banking and Insurance

Kuna Situation

Kuna stable in the new year

Here is a graphic overview of the the latest exchange rates, as usual.





(CNB web page; PBZ web page; ZaBa web page)

CNB sold 1,543 million of Kuna denominated bills, 38.25 million of euro denominated bills and 4.2 million of 35-day dollar denominated bills.

CNB Activities

On 2nd January, CNB received offers for 1,543 million worth of Kuna denominated bills. It accepted 1,538 million, selling the bills with 34-day maturity. Interest rates ranged between 1.95% and 2.15, the weighted rate being 2.09%. The discount price was 99.806.

On Friday 3rd, CNB sold 38.25 million of euro denominated bills, 16.25 million with 35-day maturity and 22 million with 63-day maturity. The interest rates were 2.708% and 2.6875%, and discount prices 99.737 and 99.532, respectively. CNB also sold 4.2 million in 35-day dollar denominated bills, with 1.1925% interest rate and 99.884 discount price. (CNB Web page)

Expected 38 million Kuna profit.

Slavonska Bank Results

Slavonska Bank from Osijek will have 38 million Kuna profit from 2002, the first significant amount in three years of consolidation and restructuring. There was an 11% growth between January and November, with expected total balance of 3.77 billion or 15% more than in 2001.

For 2003, the bank plans to invest 1.67 billion Kuna in loans, 15% more, and two thirds of the assets into economy.

It will also repair and construct its branch office network, investing €32 million. Another project is introduction of Internet banking. (SD 01.02-6)

Statistics

Average Salary in October

Average net salary in October 3,766 Kuna.

Average net salary for employees of legal entities in October was 3,766 Kuna, 2.5% more than in September (2.2% in real terms). On annual scale, the growth was 6.4% (4.5% in real terms). The highest salary was in financial consulting, 5,345, while the lowest was 2,578 Kuna in fishing sector. (SD 01.03-7)

Cost of Living Down

Lower prices of food bring cost of living down

Independent Union's syndicate basket indicates that minimum cost of living for a family of four went down an average 1.8% in December compared with November. The average syndicate basket now totals 6,957 Kuna, 120 Kuna less than in November. The cut was mostly due to lower alimentary expenses, as foodstuff prices went down an average 2.5%.

The biggest drop was registered in Dubrovnik, where the opening of a new shopping centre incited a market price war. The basket is still the most expensive in Bol, where it totals 7.553 Kuna per month. (VJ 12.31-10)

GNP Growth

GNP up unexpected 6.5%

According to preliminary data from the State Bureau of Statistics, the third quarter of 2002 registered the growth of GNP of 6.5% compared with the same period 2001. Such strong growth was unexpected, and is the highest since the last quarter of 1997, when it reached 7%.

The main incitement for the growth came from personal expenditure, which went up 7.1%, and capital investments, which continued their sixth quarter of continued growth with an increase of 15.9% compared with Q4 2001.

The growth of Croatian GNP was slowed down by state expenditure, as well as increased imports of commodities, which registered 13.1% growth compared with the same period the year before. Analysts believe that the reason for this can be found mostly in improved registration of imported goods, brought about by the opening of large retail chains.

The third quarter of 2002 also registered a drop in export of commodities of 1.1% on the annual level. Analysts warn that this is not standard for the third quarter, when tourist season usually generates growth of exports. (VJ 01.03-9)

Trade Unions and Associations

Croatia Bus

Court refuses to change CB management.

Commercial Court in Zagreb refused to remove the son of Leon Sulić from the head position in the company based on "unproven requests". The demand was submitted by 149 persons who claim to be CB shareholders. They have already announced their intention to appeal. (VL 01.04-4)

Also In the News

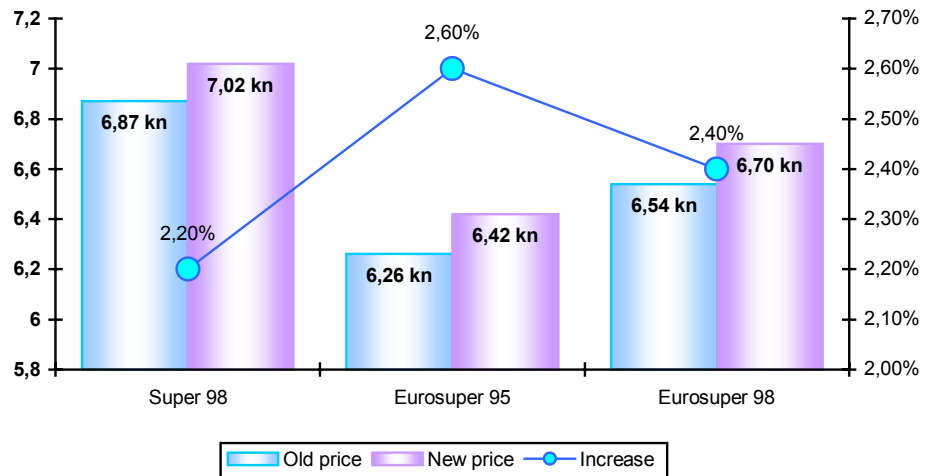
INA: New Petrol Prices

Prices up.

Syndicates afraid of higher prices in other sectors.

On 1st January, INA on average increased petrol prices by 2.3%, diesel fuel 4.5% and heating oil 13.8%.

Here is a graphic overview of the new prices for the main fuels.



Although new prices came merely as a consequence of global developments and following the standard procedure, syndicates fear that the increase might seriously hurt the overall standard of living. (SD 01.02-2; SD 01.03-2; VJ 01.02-1)

Regional News

YUGOSLAVIA

Telecom Withdraws from Serbia

Italian telecommunication company withdraws from Serbia. Investigation on corruption.

Italian Telecom decided to sell its 29% of Serbian Telekom back to PTT for €195 million. The alleged reason is lack of strategic importance of Serbia for Telekom, which might also be interpreted as lack of earning prospects.

Telecom acquired 29% of the Serbian company shares in 1997 for 893 million DEM, a lot higher than the market value. President Milošević used part of the money to buy weapons and send soldiers to Kosovo, and the remainder disappeared through corruption. The latter was the reason why the Italian prosecutors from Torino started investigations which will ascertain potential political responsibility of the Italian Government of that time, in particular that of the Minister of Foreign Affairs. There are allegations that the 1997 deal was arranged with aid of a €16 million bribe. (VL 12.30-7; SD 12.31-8)

Privatisation in Serbia

Serbia sold around 10% of current privatisation portfolio.

In 2002, Serbia sold shares of over 40 companies, worth €80 million. Its privatisation fund holds shares of 1,500 companies whose nominal value is €800 million. (Na)



SLOVENIA

Slovenian Foreign Debt

Slovenian national debt is 7.98 billion US\$.

The total debt is 7.98 billion US\$, while Slovenian reserves are 6.99 billion US\$, according to the Slovenian Bank bulletin. The debt increased by 1.27 billion US\$ during January-October 2002. From the total amount of reserves, Slovenian central bank holds 5.83 billion US\$. (SD 01.02-6)

This week's sources: Večernji List, Jutarnji List, Slobodna Dalmacija, Vjesnik, Glas Slavonije, Novi List, Obzor, Globus, Nacional, ZSE web page, Varaždin OTC web page, CNB web page, Government web page and other sources.

Should you need any other or additional information, a translation of an article summarised above or the exact source of an original article used, please contact us at:

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