

Closed-end investment fund

# FONDUL PROPRIETATEA (FP)

## Knocking on the major state-owned companies' door

**Fair NAV**      **Target Price**  
**RON 0.9992**   **RON 0.7594**

**Face value**      **RON 1**  
**No of shares**   **13,778.39m**

**NSC NAV\***      **RON 1.1541**

*\*as of 30 November 2010*

Fondul Proprietatea  
 on [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro)

- v Investment case** We have run a Fair NAV calculation exercise for Fondul Proprietatea (FP) and we reached a Fair NAV of RON 0.9992 per share and a target price of RON 0.76 per share in our base case scenario. The current Fair NAV is lower than RON 1.1631 per share calculated in our Company Note published on 16 August 2010, due to, mainly, reduction by RON 0.73m of FP's cash&cash equivalents position, but also to account for several changes in our Fair NAV computation methodology. Established in 2005 to compensate the persons whose wealth was confiscated by the communist party, FP became the most wanted company to be listed on stock exchange, due to its high exposure to energy sector, one of the Romanian sectors with significant growth prospects. FP offers the access to major state-owned companies which are not public. The selection of Franklin Templeton Investments Management Limited United Kingdom (FTI), a worldwide experienced asset manager, as fund manager in June'09 and its nomination as Sole Director of FP on 29 September 2010 is an important step to improve company's ability to create value for its shareholders through a more active asset management and to improve corporate governance and transparency of the companies in its portfolio. Still, as Ministry of Economy is major shareholder of the companies that contribute with more than 40% to FP Fair NAV, value creation process might be hampered by changes in Government strategy or by an unstable political environment.
- v Catalysts for the share price** After long delays and debates, FP shares are going to be traded for the first time on a regulated market starting with 25 January 2011. FP's listing on BSE is the main trigger for its share price, whilst additional listing and/or privatization of companies in its portfolio will bring transparency and liquidity to its shares. Of course, active portfolio management aiming at increasing and diversifying assets under management value as well as good fundamental performance of companies' in its portfolio will increase FP's net asset value. We have to mention that FP shares were transferred between the two parties using Central Depository system at a price between RON 0.45 and RON 0.55 until 22 December 2010. The price on OTC market was below our Fair NAV calculation and current target price.
- v 12m target price and methodology** We have followed a SOTP methodology to derive a fair value for FP financial assets, by marking to market FP's stakes based on different methodologies detailed below. We have used these values to compute Fair NAV and we have discounted it by specific rates to account for closed-end investment funds (20%) and restrictive voting rights for its minority stakes (5%). We have taken out the discount for liquidity (10%) as in our previous Fair NAV calculation, thanks to FP technical listing. However, on very short-term we will eliminate also the discount for restrictive voting rights as we expect these to be waived by end-June'11.
- v Alternative scenarios and risk to our scenario** In our opinion main risks arise from FP's portfolio's high exposure to state-owned companies as the government might decide to its own benefit, regardless of economic principles (i.e.: Romgaz donation worth RON 400m to state budget); a slow economic recovery that put in danger some of the companies' ability to pay dividends which are a significant source of FP's revenues and cash; a drop in market prices triggered by weaker than expected economic performance; a low diversification and liquidity of FP's portfolio. There are also significant regulatory risks related to gas and energy companies whose price/tariffs are settled by ANRE. Besides, there is quite a low visibility on unlisted companies in FP's portfolio as they are not obliged, for the moment at least, to provide FP with their latest full financial statements.

Financial data (RONm)	12/07	12/08	12/09	30/11/10*
Financial assets	13,416	9,005	9,542	14,606
Cash&current bank accounts	594	580	2,169	1,421
Shareholders equity	14,122	10,750	12,260	nav
Net profit	313	468	730	nav

*\*NSC NAV calculation as of 30 November 2010 based on RAS figures  
 Source: FP IFRS Audited Individual Financial Statements*

Data (RON/share)	12/07	12/08	12/09
EPS	0.0015	(0.2039)	0.0510
BV	0.9917	0.7814	0.8912
Gross DPS	0.0066		0.0816*
CFO	0.0200	(0.0059)	0.0168

*\*aggregate of 2008-2009 RAS net profit  
 Source: FP IFRS Audited Individual Financial Statements*

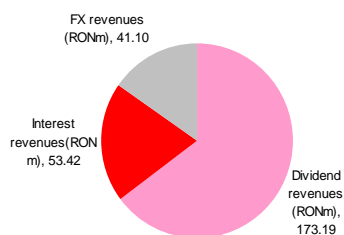
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# Company anatomy – business overview

Fondul Proprietatea was designed as a stock company/closed-end investment fund in 2005, aiming to compensate the persons whose wealth was abusively confiscated by the communism regime. Fondul Proprietatea is going to obtain profit from the management of its assets transferred by the Romanian Government stakes in different companies to the Fund's portfolio.

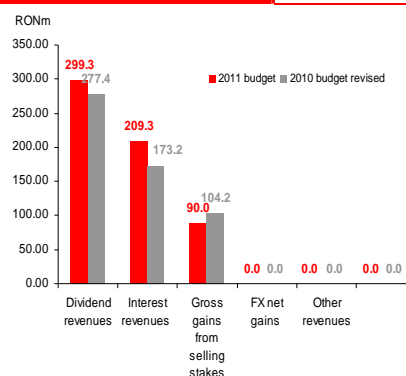
## H1'10 Operating revenues breakdown



About 65% of H1'10 FP's operating revenues of RON 267.75m came from dividends, as no asset was sold during the period. In 2009 revenues from stakes sold (Petrone Aviation, CEZ Distributie, CEZ Vanzare and CEZ Servicii) worth RON 980.24m (74% of 2009 operating revenues).

Source: Fondul Proprietatea, BRD-GSG

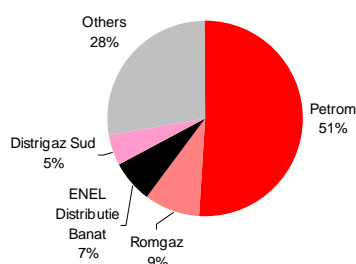
## 2010-11e Estimated operating revenues breakdown



Operating revenues are seen at RON 598.68m (+7.9% yoy) in 2011e, as no future exit is taken into account, whilst dividends are estimated to increase by 7.9% yoy to RON 299.3m. However, positive surprises should be considered, especially from a profitable exit strategy.

Source: Fondul Proprietatea, BRD-GSG

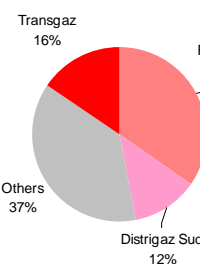
## 2008 Dividend revenues breakdown



Petrom and Romgaz main dividends payers, accounting for 60% of total FP's dividend revenues worth RON 384.75m in 2008.

Source: Fondul Proprietatea, BRD-GSG

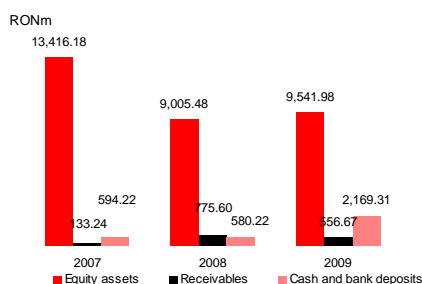
## 2009 Dividend revenues breakdown



Petrom's shareholders decision not to pay dividends for 2009 net profit hampered 2009 FP's dividend revenues worth RON 118.17m (-69.3% yoy).

Source: Fondul Proprietatea, BRD-GSG

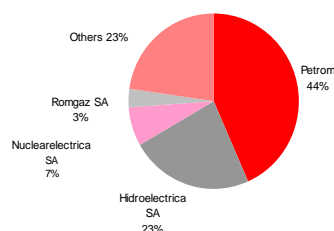
## Assets breakdown



Equity assets declined by 28.8% in 2009 vs. 2007, mainly as a result of the exits made by FP in 2009.

Source: FP IFRS Audited Financial Statements, BRD-GSG

## Top 5 holdings by acquisition cost as of end'09

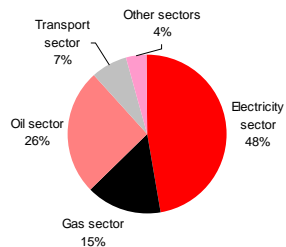


Petrom and Hidroelectrica accounts for more than 67% of the 2009 acquisition cost of FP portfolio.

Source: Fondul Proprietatea, BRD-GSG

## Company anatomy – portfolio overview

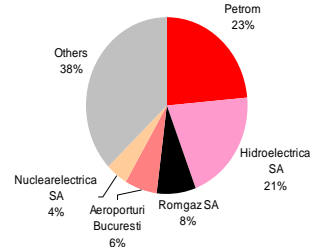
**NSC NAV breakdown per sector (as of 30 Nov'10)**



63% of NSC NAV comes from companies in electricity&gas sector as of 30 Nov' 10.

Source: Prospectus, BRD-GSG

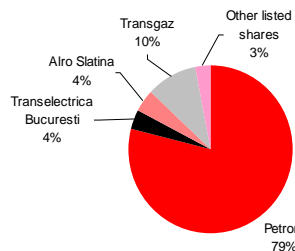
**NSC NAV breakdown per company (as of 30 Nov'10)**



Petrom and Hidroelectrica stakes account for 43% of NSC NAV as of 30 Nov'10.

Source: Prospectus, BRD-GSG

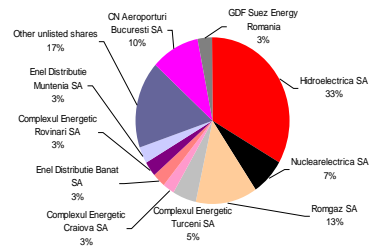
**NSC NAV breakdown of listed shares (as of 30 Nov'10)**



Petrom is the most valuable listed stock in FP's portfolio of listed companies.

Source: Fondul Proprietatea, BRD-GSG

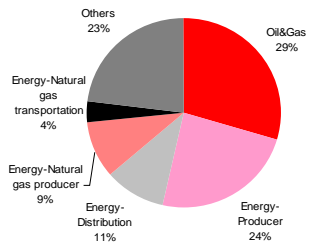
**NSC NAV breakdown of unlisted shares (as of 30 Nov'10)**



Hidroelectrica is the most valuable unlisted stock in FP's portfolio of unlisted companies, followed by Romgaz and Nuclearelectrica.

Source: Fondul Proprietatea, BRD-GSG

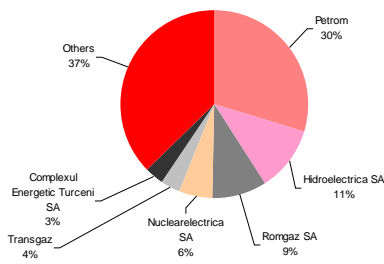
**Fair NAV breakdown per sector (as of 12 Jan'11)**



High exposure towards oil and gas and energy producers confirmed by our Fair NAV calculation.

Source: Fondul Proprietatea, BRD-GSG

**Fair NAV breakdown per company (as of 12 Jan'11)**



Petrom (RON 4.08bn) and Hidroelectrica (RON 1.56bn) and Romgaz (RON 1.31bn) are the most valuable assets according to our Fair NAV calculation.

Source: Fondul Proprietatea, BRD-GSG

# Company anatomy – valuation summary

## Fondul Proprietatea Fair NAV according to base scenario assumptions\*

\*For details regarding the base scenario assumptions please see page 15

Indicator	Value (RONm) <sup>1</sup>	Value (EURm) <sup>1</sup>	% NAV
Listed companies	5,348.56	1,257.81	38.85%
Un-listed companies	7,126.76	1,675.98	51.77%
Cash and cash equivalents	1,421.49	331.80	10.33%
(-)Total liabilities (incl.debt, provisions <sup>#</sup> )	129.41	30.21	0.94%
<b>Fair NAV</b>	<b>13,767.40</b>	<b>3,237.64</b>	
No of shares	13,778.39	13,778.39	
<b>NAV per share (RON)</b>	<b>0.9992</b>	<b>0.2350</b>	
discount for closed-end funds	20%	20%	
discount for restrictive voting rights	5%	5%	
<b>Target price per share (RON)</b>	<b>0.7594</b>	<b>0.1786</b>	

<sup>#</sup> NSC NAV calculation as of 30 November 2010 based on RAS figures

<sup>1</sup>except values per share

Source: BRD-GSG, Fondul Proprietatea

## Fondul Proprietatea Fair NAV according to market values estimated by valuers (KPMG JPA,Darian)\*

\*For details regarding this scenario assumptions please see page 16

Indicator	Value (RONm) <sup>1</sup>	Value (EURm) <sup>1</sup>	% NAV
Listed companies	4,768.75	1,121.45	30.22%
Un-listed companies	9,588.17	2,254.82	60.77%
Cash and cash equivalents	1,421.49	331.80	9.01%
(-)Total liabilities (incl.debt, provisions <sup>#</sup> )	129.41	30.21	0.82%
<b>Fair NAV</b>	<b>15,778.41</b>	<b>3,710.56</b>	
No of shares	13,778.39	13,778.39	
<b>NAV per share (RON)</b>	<b>1.1452</b>	<b>0.2693</b>	
discount for closed-end funds	20%	20%	
discount for restrictive voting rights	5%	5%	
<b>Target price per share (RON)</b>	<b>0.8703</b>	<b>0.2047</b>	

<sup>#</sup>based on valuations made by KPMG,JPA and Darian

<sup>#</sup> NSC NAV calculation as of 30 November 2010 based on RAS figures

<sup>1</sup>except values per share

Source: BRD-GSG, Fondul Proprietatea

## Fondul Proprietatea Fair NAV according to worse case scenario

\*For details regarding the worse scenario assumptions please see page 18

Indicator	Value (RONm) <sup>1</sup>	Value (EURm) <sup>1</sup>	% NAV
Listed companies (Petrom, Transgaz, Transelectrica, Alro)	5,023.19	1,181.29	50.85%
Un-listed companies	3,563.38	837.99	36.07%
Cash and cash equivalents	1,421.49	331.80	14.39%
(-)Total liabilities (incl.debt, provisions <sup>#</sup> )	129.41	30.21	1.31%
<b>Fair NAV</b>	<b>9,878.65</b>	<b>2,323.13</b>	
No of shares	13,778.39	13,778.39	
<b>NAV per share</b>	<b>0.7170</b>	<b>0.1686</b>	
discount for closed-end funds	20%	20%	
discount for restrictive voting rights	5%	5%	
<b>Target price per share</b>	<b>0.5449</b>	<b>0.1281</b>	

<sup>#</sup> NSC NAV calculation as of 30 November 2010 based on RAS figures

<sup>1</sup>except values per share

Source: BRD-GSG, Fondul Proprietatea

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# Investment summary

## **Small steps in the right direction – listing on a regulated market**

Fondul Proprietatea (FP) was designed as a joint-stock company in 2005, aiming to compensate the persons whose wealth was abusively confiscated by the communist regime. Initially, FP life duration was set at 10 years with the possibility of its extension through a decision of the Extraordinary Shareholders General Meeting (Extraordinary SGM) according to its foundation act. On 6 September 2010, the Extraordinary SGM decided FP lifetime to be an indefinite period. FP is going to obtain profit from the management of its portfolio of shares made up from stakes owned by the Government in different companies and transferred to the Fund's ownership.

Romanian authorities promised to list the Fund since its inception, but in the past years they have struggled to turn the Fund into a public joint-stock company. During 2009-2010, firm steps into this direction were done. The Selection Commission, after a long auction process, nominated Franklin Templeton Investments (FTI) as asset manager of FP in June'09, after months of delays during which Ministry of Finance requested some changes of the contract's provisions as regards to the role and responsibilities of the appointed asset manager. The most important issue under debate was the responsibility of FP's asset manager to draft the investment strategy and not only to manage the assets owned by the fund. Finally, the management contract, a requirement for listing process to continue, was signed in February'10.

On 23 June 2010, the Chamber of Deputies approved the amendments of the Emergence Government Ordinance no. 81/2007 as regards FP. The main adjustments of the ordinance refer to: the official appointment of Franklin Templeton as FP's asset manager; the reduction by RON 482.95m of Fund's share capital representing the value of unpaid shares held by the Ministry of Finance that will allow Fund to pay dividends from 2008 and 2009 net profit; the listing of the Fund's shares on a stock exchange without launching a public offer being possible a technical listing because FP's has a free float above 30% and over 3,000 shareholders; FP's bylaws to be changed by Extraordinary SGM approval; changes to the method of computing the conversion price after FP's listing. The principles in setting the conversion price are presented in the section *Further steps in the compensation/conversion process after FP's listing*. This approval of the deputies has been very important for speeding the technical listing of FP. The amendments were published in the Official Gazette in July 2010 and a Shareholders Extraordinary and Ordinary General Meeting were called for 6 September 2010 to approve all the above mentioned changes.

On 18 August 2010, the Romanian National Securities Commission (NSC) approved the documentation submitted by the FP (closed-end investment fund) for the fund to be registered as *Other Collective Investments Undertakings* by NSC. This registration was a requirement before FP shares to be quoted. Pursuant to Law no. 142/2010, the Fund is required to apply for admission to trading on BSE within 90 business days as of the date of registration with the NSC as other collective investments undertaking for collective investment.

Moreover, on 25 August 2010 were announced the results of the selection process of the brokerage companies to handle the technical listing on Bucharest Stock Exchange (BSE). The Prospectus for FP technical listing has been approved by NSC on 16 December 2010, whilst the BSE BoD approved FP listing on 6 January 2011. Following this procedure, FP shares are going to be listed on 1<sup>st</sup> Tier of BSE on 25 January 2011, with the ticker FP.

## **Key decisions of FP's shareholders on 6 September 2010**

As stated above, FP called its shareholders of record as of 20 August 2010 for an Ordinary and Extraordinary Shareholders Meeting on 6 September 2010. The main items on the Ordinary Shareholders Meeting agenda were: the distribution of a gross DPS of RON 0.0816 out of the 2008 and

2009 net profit; the revocation of FP's Supervision Council and Directorate members; the election of FP's Board of Nominees members; the approval of the 2010 revenues and expenses budget modifications; the cease of labour contracts of FP's employees. The proposed registration date was 27 September 2010.

As regards the Extraordinary Shareholders Meeting agenda, the main items were: the approval of the new incorporation act of FP; the appointment of Franklin Templeton Investment Management Limited UK (FTI) as sole director of FP; the approval of FP's shares listing on BSE and on international markets; the approval of redemption of a maximum 1.375bn FP shares (max. 10% of FP's share capital) at prices between RON 0.2 and RON 1.5 within September 1, 2010 and March 1, 2012. The shares bought within the redemption programme should be paid out of FP's available reserves, except legal reserves and of the net profit to be distributed for the year as presented in the last annual financial statements approved by the shareholders. The buy-back actions might be activated also, in order to support the share price levels.

FTI's representatives stated within the Analysts Meeting held on 10 January 2011 that the redemption procedure hasn't been finalized yet, so we don't leave out the possibility to see some changes of the details regarding redemption programme as it has been approved by FP's shareholders. Considering that the latest net profit budgeted for FP amounts to RON 194.94m in 2010e and that the reserves are negative at RON 3.242bn as of end-June'10, it is less likely the redemption programme to start in 2011 under the above mentioned conditions. We expect some adjustments to be made for the redemption program to start. The amount to be paid in case of all shares within the redemption programme will be bought back is between RON 275.151m and RON 2.06bn. The cash and current account amounted to RON 2.226bn as of end-June'10.

### **Long way to manage FP**

On 25 February 2010, FP's shareholders approved the management contract with Franklin Templeton Investments (FTI), after several delays. Furthermore, in May'10, FP announced that it has submitted to NSC, all the documents required for its registration as *Other Collective Investments Undertakings* with NSC, allowing FTI to become official in charge with FP's assets administration. In May'10, the local subsidiary of FTI was registered with NSC. According to the new FP's bylaw submitted for shareholders' approval, FTI's activity will be supervised by the Board of Nominees which was appointed by the shareholders and supervised by them. More specifically, the investment strategy and investment objectives will be drafted by Franklin Templeton in line with law's provisions and will be previously approved by the Board of Nominees, along with net profit distribution proposal by FTI. Any agreement on FP's assets exceeding 5% of FP's assets value (calculated according to NSC rules) should be previously approved by shareholders. FTI will call for an Extraordinary Shareholders Meeting in case the Board of Nominees and FTI can not reach an agreement as regards different issues. FTI will prepare the annual report, will check auditors' report and will submit them to the Board of Nominees which has to approve them before presenting to the Shareholders Meeting.

By 29 September 2010, FP has been managed by two authorities, namely The Supervision Council and The Directorate, in a two-tier management system. Following, Extraordinary SGM on 6 September 2010, the Fund is going to be ruled by FTI, as sole director for four years with the possibility of contract's extension by shareholders' decision. Also, the shareholders appointed the members of the Board of Nominees for the next three years. The Board of Nominees members are appointed by the Ordinary SGM and might be FP's shareholders or persons nominated by the shareholders. For its activity, FTI will receive an annual fee computed as 0.479% of the average market capitalization of FP

stock during the last 90 trading sessions of the calendar year. The assets under the management of Franklin Resources Inc. and of its subsidiaries increased at 10.9% CAGR Sept'00-Sept'10, amounting to USD 645bn, out of which USD 198bn are assets outside of US as of end-September'10.

### Portfolio Management and Investment Policy

Since its inception, FP's management main targets were the selection of an international fund manager and FP's listing on domestic and international capital markets. Thus, FP Supervision Council, in charge with its investment policy up to the nomination of an international fund manager carried out a conservative portfolio management. FP management tried to preserve its stakes inherited from the Romanian Government by running a limited number of exits and by subscriptions within share capital increase operations undertaken by the companies in its portfolio. Also, FP managed its cash carefully. In 2009, FP made profitable exits from the shareholding structure of some companies, mainly because the majority shareholder of those companies exercised their selling options. Please see below main exits and share capital operations run by FP between 2007 and 2009:

Company	Type of transaction/Year of transaction	Stake traded (%)	Price per share	Amount cashed	Acquisition value as in FP's Balance sheet	Gross gain
Petrom Aviation	Sell/2008	3%	RON 0.243	RON 1.35m	RON 0.672m	RON 0.677m
CEZ Servicii	Sell/September 2009	12%	EUR 2.19	EUR 1.6m	RON 0.732m	
CEZ Vanzare, CEZ Distributie	Sell/September 2009	30%, 30%	nav	EUR 229.59m	RON 424.59m, 0	
Centrofarm	Sell/October 2009	17.34%	RON 6	RON 6.82m	RON 2.74m	RON 4.08m

Source: Prospectus, BRD-GSG

Share capital increase participations:

Company	Year of transaction/Type of transaction	Share capital increase value
Several companies	2007/Share capital increases run by companies	RON 41.24m (o/w RON 39.82m for Transgaz)
CEZ Servicii	2007/Share capital contribution (start-up company)	RON 0.73m
Electrica Distributie Transilvania Sud	2008/Share capital increase	RON 11.93m
Electrica Distributie Transilvania Nord	2008/Share capital increase	RON 11.93m
Electrica Distributie Muntenia Nord	2008/Share capital increase	RON 11.93m
Enel Distributie Muntenia	2008/Share capital increase	RON 14.05m

Source: Prospectus, BRD-GSG

Still, the low diversification of FP's portfolio and FP's cash inflows mainly related to Petrom and Romgaz dividends should require a more active portfolio management and a portfolio restructuring. We believe that FTI, a worldwide experienced asset manager, will pursue an active portfolio management to create additional value for FP's shareholders.

FTI will draft its investment strategy according to its own principles, but complying also with the law requirements, as follows:

- FP can not invest more than 20% of its assets in financial instruments (securities and money market instruments) not traded, except the government securities issued by the Romanian Ministry of Economy and Finance. The Fund can invest only in money markets instruments issued by financial institutions and in investment grade corporate bonds;
- FP can buy personal possessions and real estate only for running its ordinary activity;
- FP can not invest more than 10% of its assets in shares issued by one issuer, except government securities;
- FP can not hold more than 10% of its assets in financial assets issued by entities within one group;
- FP can not hold more than 10% in financial instruments issued by the Collective Investments Undertakings and/or Other Collective Investments Undertakings;



- *The value of current accounts and cash held by FP should not exceed 20% of its assets. An extension up to 50% can be accepted in some special cases (e.g.: sale of financial assets) but only for a period of 90 days;*
- *FP can not hold deposits amounting to more than 10% of its assets at one bank;*
- *FP can not allocate more than 15% of its net assets in derivative instruments globally, whilst no more than 10% of its assets should be invested in derivatives not traded on a regulated market;*
- *FP should invest at least 20% of its assets in securities listed on BSE or listed on a stock exchange in EU, in fund units issued by Collective Investments Undertakings and/or Other Collective Investments Undertakings;*

Furthermore these limits can be changed by the law, with prior approval of the Romanian National Securities Commission (NSC).

Moreover, FTI can not invest more than 12% of FP's assets in foreign stocks, being a fund which should invest minimum 70% in listed domestic stocks and can not perform short selling trades with the shares held in FP's portfolio. Except the inherited unlisted shares, their weight should not exceed 20% of the fund's net assets. Thus, FTI strategy in managing FP assets is oriented towards domestic stocks and less on bonds and/or money market instruments

The foundation act of FP states that the fund is allowed to issue bonds, borrow money from banks for financing its daily operations, but not for its financial investments.

FP announced at the end of 2010 that is going to organize an auction for selling its entire stake of 4.95% in Marlin, financial leasing company, whose main revenues are stemming from spaces' renting located in Maramures. The deadline for intentions submission was 5<sup>th</sup> January'11. The book value (acquisition cost as of end-Dec'09) of the stake worth RON 0.03m. Also, FP will organize an auction for selling the entire stake of 16% of Commetex, ceramic and glass products seller. In this case, the deadline for proposals' submission is 15<sup>th</sup> of January'11. Commetex acquisition cost amounted to RON 0.19m as of end-December. Among the shareholders of Commetex, we mention: Employees Association (35.04%), SIF Moldova (31.87%) and Dumitru Lesovschi (12.03%). However, these two stakes are marginal ones as their contribution to NSC NAV (almost zero), so we don't see any major impact on Fund's NAV and, even on FP's bottom line.

### **Though...what about the foundation of two giants in energy sector**

In 2009 Romanian authorities expressed their intention to create a company or two companies that will comprise the stakes held by the Government in all companies active in energy sector (power production, energy transmission, supply, etc) in order to increase efficiency and performance of the sector. In 2010 the Government decided to structure two companies, namely Electra and Hidroenergetica as presented in the Official Gazette published on 15 October 2010. Electra will be set up following the merger of Societatea Nationala a Lignitului Oltenia, CE Turceni, CE Rovinari, CE Craiova, Nuclearelectrica and 19.15% of Hidroelectrica net assets valued at RON 3.17bn by KPMG (i.e.: Rm Valcea, Sibiu and Targu Jiu branches and Hidroserv). The other company named Hidroenergetica will include Compania Nationala a Huilei, Electrocentrale Deva, Electrocentrale Bucuresti, Termoelectrica branches (Paroseni and Termoserv Paroseni) and the remaining 80.85% of Hidroelectrica net assets valued at RON 13.38bn by KPMG (Hidroelectrica' subsidiaries: Bistrita, Buzau, Cluj, Curtea de Arges, Hateg, Portile de Fier, Oradea, Sebes and Slatina).

Following the merger and split operations, Hidroelectrica will cease its existence/operations.

There are significant risks related to the decision of creating two giants on energy market that might jeopardize the efforts made in the past five to six years to liberalize the domestic electricity, gas and mining sectors. The efforts put into this direction were driven by the necessity to comply with the unbundling regulations promoted by the European Union authorities.

The risks connected to creation of the two companies might refer to:

- the establishment of two companies with dominant position that will harm free competition on the energy market;
- the delays in running reorganization process will impair the development of free trades on electricity market;
- the delays in implementing measures to restructure some energy generators to increase their efficiency (i.e.: coal units) and to support the ones which had already proved to have better operating performance (i.e.: hydro power plants).

According to the data presented in the Prospectus, the shareholding structure of the two companies will be:

Shareholder	Electra	Hidroenergetica
<b>Ministry of Economy</b>	<b>84.40%</b>	<b>63.80%</b>
<b>Fondul Proprietatea</b>	<b>15.10%</b>	<b>15.90%</b>
Termoelectrica	0.30%	20.20%
National Coal Company ( <i>rom. CN pt Inchiderea si Conservarea Minelor</i> )	0.10%	0.00%
Hidroelectrica	0.10%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Prospectus, BRD-GSG

FP took legal actions against the companies that approved the division/merger process in order the two energy giants to be set up. FP's representatives stated that the shareholders decision making process did not comply with the law's provisions.

As we have already seen, the net asset value and the revenues of FP are highly related to the reasonability and rationality of the reforming process in energy sector given the energy sector weight in its portfolio. Consequently, is very important what companies are going to be included in the process, because some of the companies are profitable and have strong fundamentals to grow, whilst the others need significant financial support to turn profitable and the process might take years to improve their efficiency and performance.

Nevertheless, the Romanian Competition Council should rule in favour of the foundation of these companies and the diluted stakes hold by FP in Nuclearelectrica (currently 9.7% vs 17.2% as of end-2008) and Complexul Energetic Craiova (currently 24.4% vs 24.98% as of end-2008) should be clarified before the foundation of the two giants will become effective.

### Government's plans to sell part of its stakes

The Romanian Government issued Government Decisions for selling part of its stakes in some companies. Consequently, the state is going to sell:

- 15% in Romgaz by launching an initial public offering on BSE (a Government decision has been issued in this regard);
- 9.84% of OMV Petrom by launching a selling public offering or by selling the stake within a purchasing public offering (a Government decision has been issued in this regard);
- 15% of Transelectrica through a public offering (a Government decision has been issued in this regard);
- 15% of Transgaz through a public offering (a Government decision has been issued in this regard);
- 46% of Romtelecom to be sold to OTE (majority shareholder) or to be listed on the stock exchange (according to the newsflow).

Up to now, there are no official deadlines regarding these projects. However, at the end of December'10, it has been announced that the Romanian state appointed Bostina&Associates as legal adviser for the operation regarding OMV Petrom stake. The next steps within the process is launching the auction for the brokerage house selection and further all the preparations stated by the law for the specific processes.

Also, the local newsflow as of 6th January'11 pointed that the Ministry of Economy will sell 15% of Transelectrica in June'11, 15% of Transgaz in September'11 and 15% of Romgaz in December'11, respectively, but there is no official timetable for these actions, being very difficult to estimate a finalization date for the transactions.

The selling or listing of some of Government's stakes will increase liquidity of FP's portfolio, considering that 68% of total portfolio is represented by unlisted companies (62% of NSC NAV as of end-November'10). Also, these operations are seen as significant trigger to increase FP's wealth.

### Shareholding structure – Ministry of Finance is losing its majority

FP has 5,196 shareholders, by 1,306 more than the structure reported as of 29 July 2010, according to data published on its website, based on the information recorded at the Central Depository as of 31 December 2010. The stake held by the Ministry of Finance continues to decline to 38.9% on 31 December 2010 from 52.85% on 29 July 2010, as the compensation of persons entitled to receive them is an ongoing process. The Ministry of Finance is expected to hold less than 33% by the end of H1'2011.

According to the information presented within the Prospectus, there is one individual who owns more than 5%, Malaxa family with a stake of 7.352% and 2.8716% of total voting rights (12.794bn voting rights as of 30 November 2010).

Shareholder Type	No. of shareholders	No. of shares	Stake (%)
<b>Public Finance Ministry</b>	<b>1</b>	<b>5,357,581,696</b>	<b>38.88%</b>
Legal persons (stakes below 1%)	170	1,300,352,402	9.44%
Legal persons (stakes above 1%)	5	1,384,810,932	10.05%
<b>Sub-total legal persons</b>	<b>176</b>	<b>8,042,745,030</b>	<b>58.37%</b>
Individuals (stakes below 1%)	5,193	4,640,537,165	33.68%
Individuals (stakes above 1%)	3	1,095,110,013	7.95%
<b>Sub-total individuals</b>	<b>5,196</b>	<b>5,735,647,178</b>	<b>41.63%</b>
<b>Total</b>	<b>5,372</b>	<b>13,778,392,208</b>	<b>100.00%</b>

Source: www.fondulproprietatea.ro as of 12 Jan'11

### The restrictions of voting rights of minority shareholders' are going to be waived

Until the Ministry of Finance stake is above 33%, the minority shareholders voting rights will be restricted, as below presented. However, we expect that the voting rights limitations to be eliminated by end-June'11, as the Ministry of Finance stake is 39% (as of end-December'10) already. This will be decided by FP's shareholders within a future meeting. There are no restrictions imposed to shareholders' holdings.

- for the stakes **up to 1%** in FP share capital: **one share** has **one voting right** associated;
- for the stakes **up to 3%** of FP share capital: holdings **up to 1%** **one share** has **one voting right** associated; for stakes higher than **1%** and lower than **3%** of FP share capital **two shares** have **one voting right** associated;
- for the stakes **up to 5%** of FP share capital: holdings **up to 1%** **one share** has **one voting right** associated; for stakes higher than **1%** and lower than **3%** of FP share capital **two shares** have **one voting right** associated; for stakes higher than **3%** and lower than **5%** of FP share capital **three shares** have **one voting right** associated;
- for the stakes **up to 5%** of FP share capital: holdings **up to 1%** **one share** has **one voting right** associated; for stakes higher than **1%** and lower than **3%** of FP share capital **two shares** have **one**

**voting right** associated; for stakes higher than **3%** and lower than **5%** of FP share capital **three shares** have **one voting right** associated; the stakes **above 5%** don't have any voting rights associated.

### **The quorum within shareholders' meetings**

The required quorum for the Ordinary Shareholders General Meeting (GM) at the first convocation is set at 25%, whilst for the second round there is no mention regarding it. The decisions are made with the majority of the voting rights, except when a decision should be made regarding the revoke of the Board of Nominees members where the required number of votes is 2/3 of the all shareholders present or represented by third parties taking part at the meeting.

An Extraordinary Shareholders General Meeting will be held at its first convocation if shareholders or their legal representatives accounting for 1/4 of the total voting rights are present. The decisions are made with the majority of the votes. At the second convocation, the required quorum is 1/5 and the resolutions are made with the majority of the votes.

However, when there is a vote for special decrease/increase share capital of FP, beforehand dissolution of the Fund, it is necessary a quorum of 50% to be met within Extraordinary Shareholders Meeting. The votes required for approval of changing FP object of activity, its legal status, merger, division or dissolution of the Fund should be at least 2/3 of the votes expressed by the shareholders present or represented by their legal representatives.

### **Further steps in the compensation/conversion process after FP's listing**

At its inception the sole shareholder of FP was Ministry of Finance. Following to the compensation process, Ministry of Finance's shares were transferred without any cost to the people entitled to be compensated by the Romanian state. Thus, Ministry of Finance stake decreased from 100% to 38.9% as of 31 December 2010.

Prior to the listing of FP's shares on BSE, the price at which the compensation titles are converted into FP shares is RON 1 (FP's share face value). The conversion process was suspended on 11 January 2011, prior to the first trading date of the Fund's shares. The process will be resumed on a Monday of the second calendar week following the first 60 trading sessions of the shares.

The price of the conversion process that is going to be resumed after the 60 trading sessions will be settled using the below mentioned methods:

- for the conversion effected on the second calendar week following the first 60 trading sessions, **the average market price** determined based on the first 60 trading sessions, published by the market operator upon the closing of the 60<sup>th</sup> trading session;
- for the conversion carried out starting with the date falling on a Monday of the third calendar week following the first 60 trading sessions, **the weighted average market price** determined based on the last 60 trading sessions, published by the market operator.

Starting with the 61st trading session, upon closing, the BSE shall publish on its webpage and shall inform ANRP, on a daily basis, the weighted average market price of the shares for the last 60 trading sessions.

The compensation/conversion titles submitted with ANRP on the second calendar week following the first 60 trading sessions shall be converted into shares at the weighted average market price determined based on the first 60 trading sessions.

The compensation/conversion titles submitted with ANRP starting with the date falling on a Monday of the third calendar week following the first 60 trading sessions shall be converted into shares at the

weighted average market price determined based on the last 60 trading sessions prior to the submission of the compensation/conversion titles.

There might be the case that requests for compensations to be submitted with ANRP that can not be covered by Ministry of Finance shares held in FP. In this case, the Ministry of Finance will request a share capital increase of FP, in compliance with capital markets law provisions.

### **Litigations, litigations...and prospect inflows**

FP is involved in different litigations as Claimant or Defendant as it is presented in the Prospectus. As Claimant, FP claims stakes not recognized by several companies (e.g.: Electromecanica, Romarm, Nuclearelectrica), requested to the Court the cancellation of companies' shareholders meetings decisions that have as a consequence the decrease of FP's stake (e.g.: Palace), the cancellation of shareholders' decision to donate money to the state budget (e.g.: Romgaz), the annulment of shareholders' decisions to split a company and then to merge with other companies to form two giants of energy sector as the Fund states that its stake in the new companies doesn't fairly reflect its stakes held in former companies (e.g.: Nuclearelectrica, Hidroelectrica, CE Craiova). As Defendant, FP has been called in the court by one of the former General Manager of the Fund for compensations representing salaries rights in amount of EUR 40,000. Also, a few shareholders of the Fund went to court requesting the cancellation of some of the decisions made by FP's shareholders within their Ordinary and Extraordinary SGM on 6 September 2010, such as: the approval of the new articles of association, appointment of Franklin Templeton as sole director, the redemption plan, listing of FP's shares on domestic/international capital markets, appointment of the members of the Board of Nominees, etc.

Below we present a brief description of major litigations in which FP is involved, whilst for more details we recommend you FP's Prospectus. FP as Claimant:

- FP made a legal request to Sibiu Court against Romgaz on 2 December 2010, as the company decided within its Shareholders Meeting held on 30 November 2010 to donate to the state budget RON 400m based on the provisions of the Government Ordinance no. 18/2010. The payment was done sometime in December 2010, in spite of the trial initiated by FP at Sibiu Court, requesting the annulment the Ordinary SGM of Romgaz decision. The Sibiu Court is going to meet on 19 January 2011 for discussing the case;
- FP took legal action against Hidroelectrica, requesting the court to cancel the decision of company's Extraordinary SGM held on 19 November 2010 as regards the splitting up of the company and its subsequent merger. Currently, the Fund owns 88.57m Hidroelectrica shares and stated *inter alia* that the provisions of the Corporate Law as regards financial statements based on which the division/merger will be done are not updated, the exact separation of the contracts, assets following the splitting is not clearly stated. This is the first step to form the two giants in energy. The trial is on going;
- On 22 April 2009, FP made a legal request to Bucharest Court against Nuclearelectrica and Ministry of Economy in order to be transferred to its portfolio a number of 20.077m Nuclearelectrica shares following the share capital increases run by Nuclearelectrica as decided by its shareholders on 13 December 2005 and on 26 September 2006 (share capital increase by RON 405.964m out of which in kind share capital increase of RON 363.368m) and of the Emergence Government Ordinance no. 68/2009. Subsequent to these share capital increases, the Fund claims is entitled to receive 20.077m shares from Nuclearelectrica (19.226m shares after the first share capital increase and 851,922 shares as a result of the second share capital increase);
- On 21 June 2010, FP took legal actions at Bucharest Court, against Nuclearelectrica as it has not approved the merger project between Nuclearelectrica, Complexul Energetic Rovinari, Complexul Energetic Turceni, Complexul Energetic Craiova, Societatea Nationala a Lignitului Oltenia, Hidroserv SA. The merger project has been published initially in the Official Gazette on 20 May 2010 and FP was not agreed the merger to be done according to the shareholding structure as of 31

december 2009, consider the above mentioned litigations. In addition, the Fund requested that the court declare the merger null and void.

- FP sued AVAS and Ministry of Finance and Economy on 1 October 2008 for EUR 154.100m stemming from Banca Comerciala Romana (BCR) privatization. The reason of FP's claim for an additional amount (EUR 154.100m) to be transferred to FP is represented by the fact that FP's foundation act states 4% of the total value of the BCR's shares, namely EUR 242.495m to be transferred to FP instead of 4% of the shares held by the Ministry of Finance and Economy in BCR which account for EUR 88.395m (the amount transferred by the Ministry of Finance). During the trial, FP Fund Manager realized that the costs are high whilst the chances are 50%/50% and no additional value to the official NAV will be brought in case of winning. However, FP decided to drop the legal actions in this case;
- In 2009, FP took legal actions against Electromecanica SA at Prahova Court, requesting the company to register the Fund as being the owner of the 1.002.301 Electromecanica SA shares. Electromecanica SA states that the Romanian State nor AVAS did not hold the shares as of the date of transfer from AVAS to the Fund (29 June 2007), but another company owned 100% of the shares, Romarm. Thus, the Fund can not request shares that did not belong to AVAS. The trial is on going;
- FP and Broadhurst Investments Ltd. sue SC Palace requesting Prahova Court to cancel the shareholders' decision made within their meeting on 1 July 2009. The shareholders have decided to reduce company's share capital by RON 530,955.5, representing the value of a real estate previously owned by Palace, and which have been transferred to the person deprived from them during the communism. Thus, as the Fund has been founded to compensate such persons, then the share capital decline shall be borne exclusively by the Fund, whose stake went down from 15.429% to 1.4%. the trial is on going at the Highest Court of Cassation and Justice;

FP is expecting to receive revenues from future transactions/operations, such as:

- Revenues to be cashed in case the below mentioned operations are going to be finalized:
  - 20% of the value Romtelecom SA privatization contract;
  - 3% of the amount cashed in from selling stakes owned by the state trough successive transactions in Romtelecom SA up to the selling of the entire stake owned;
  - 9.9% of the value of CEC privatization contract;
- Cash inflows representing receivables recovered by Romania as overdue payments for commerce activities run before December 1989 minus 3% from their amount;
- Claim held by AVAS against World Trade Center and transferred to FP valued at USD 68.814m as of October 4, 2007. However, World Trade Center and FP should reach to a mutual benefit (debt to equity swap might be possible) agreement as FP owns a stake in World Trade Center and the claim held against the company is very large compared to its market value.

## Listing plans

The increasing necessity to trade the FP shares sustained by liquidities needs of the shareholders triggered the initiative of establishing an OTC system for the fund shares. The debates did not come to an end, so transactions with FP shares were concluded using Central Depository system. The trades on OTC market were suspended on 22 December 2010, as NSC approved the prospectus for FP technical listing on BSE issuing the certificate for FP shares registration. Thus, the first trading day of FP shares is 25 January 2011.

FP listing on BSE is a major event for domestic capital market and it is estimated that BSE free float to increase by 84% compared with Dec'10. The impact on BSE capitalization is an increase of 36%, taking in consideration that FP's market capitalization is number of shares multiplied by its NAV as of end-November'10.

There are intentions that FP to be listed on international stock exchange, but no decision has been made yet.

Nevertheless, Wood&Company and Unicredit put up for sale derivative contracts (i.e.: warrants) having as underlying asset, FP shares, on Vienna Stock Exchange and on Frankfurt Stock Exchange, respectively,

### Dividend Policy

All FP shares carry full dividend rights, in spite of voting rights restrictions as we above mentioned. The Fund Manager proposes the profit distribution and dividend policy to FP's shareholders. Prior to shareholders' presentation, the Board of Nominees will approve Fund Manager dividend policy.

Indicator	2007	2008-2009(aggregate)
Gross Dividend (RON/per share)	0.006596	0.0816
Total number of shares	13,644,179,910	13,778,392,208
<b>Total Dividends (RONm)</b>	<b>90.00</b>	<b>1,124.32</b>

*Source: Prospectus*

FP paid dividends for all the financial years 2007-2009, as it is presented by the above table. The dividends paid for 2008 and 2009 were approved by the shareholders during their Ordinary SGM as of 6 September 2010.

FP's sole director expressed its intention to recommend to Board of Nominees and to FP's shareholders a payout ratio of 100% of the profit raised from dividends and interests, whilst the profit from selling transactions to be invested.

# SWOT ANALYSIS

## Strengths

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- Significant exposure on energy sector, likely to post increases in the future;
- An active portfolio management should assure liquidities for future investments;
- Low leverage for most of the companies in FP's portfolio;
- Exposure to commodities sector, which will be the first one to benefit from a rebound in economic activity.

## Opportunities

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- Free flotation on a regulated market of some unlisted companies included in its portfolio that might unlock value;
- Government decisions to sell stakes in state-owned companies or to list major state-owned companies;
- FTI involvement in corporate governance enforcement and value creation of the companies in its portfolio through its active involvement in companies' decision making process;
- A possible portfolio restructuring aiming to diversify sector exposure and to sell poor growth perspectives companies and/or overvalued companies;
- Profitable exits from electricity distributors' shareholding structure as it was the case for stakes held in CEZ Distributie and CEZ Vanzare in 2009. There is a put/call option in the privatization contract with E.ON, where a pricing method is stated, based on EV/EBITDA multiple and a privatisation factor. However, there are no mentions as regards such options in ENEL privatization contract.

## Weaknesses

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- Highly exposed to regulatory risk through energy holdings (related to tariff/prices setting);
- Low diversification of portfolio (48% of NSC NAV is derived from electricity sector, as of end-November'10);
- Significant dependence of its cash inflows on Petrom and Romgaz dividends (aprox. 60% in 2008);
- 67.6% of its portfolio as of end-November'10 is locked in unlisted companies. The Romanian state is major shareholder of FP's most valuable unlisted companies.

## Threats

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- Slow economic recovery with negative effects on financials posted by companies included in FP's portfolio;
- Political changes that might trigger further regulatory modifications. The state might interfere in companies' activities putting at risk shareholders' value creation (i.e.: the state impose Romgaz to donate RON 400m).



## Valuation methodology

To calculate our target price we used a SOTP method to estimate a Fair NAV for FP. Further on, we have applied discounts to our Fair NAV to derive a target price, as follows: i) 20% discount that we use for any closed-end investment fund to calculate a target price, including SIFs; ii) 5% discount to reflect restrictive voting rights for minority stakes owned in FP. Most probably, we will take out the 5% discount as soon as Ministry Finance stake is below 33%.

In our base scenario, to derive a Fair NAV for FP, we have filled in closing prices as of 12 January 2011 for all BSE listed companies that have been traded within the last 30 trading days. The same methodology is followed by NSC for listed companies. For the companies whose shares were not traded in the past 30 days we have used their book value adjusted with a discount of 20% to account for low liquidity compared with NSC regulation which uses the book value of the company as a proxy for its fair value.

The unlisted companies' stakes were marked to market using peers valuation multiples, namely different combination of P/BV'09, EV/EBITDA'09 and Marcap/Sales'09 depending on the company's sector features. Moreover, we have applied a 30% discount to reflect lower liquidity of these stakes, regulatory risk for companies in energy and utilities sector and smaller size of the companies compared to their peers. Detailed values for major unlisted companies are showed in *Appendix 1 – Unlisted companies implied value (base scenario)*. The valuation multiples (P/BV'09, EV/EBITDA'09 and Marcap/Sales'09) for selected peers used to value unlisted companies are presented in *Appendix 2 – Peers' multiples*. For unlisted companies with no data available for 2009 shareholders equity we have conservatively used zero value. Also, we assigned zero value for companies with negative shareholders equity, companies under insolvency procedure, companies running a judicial re-organization and companies that don't recognize FP as their shareholder.

Thus, we have derived a Fair NAV of RON 0.9992 per share, resulting in a target price of RON 0.7594.

The summarized results are presented in the table below. Thus, 51.8% of Fair NAV stem from unlisted companies worth RON 7.13bn (EUR 1.68bn), whilst 38.85% from listed ones worth RON 5.35bn (EUR 1.26bn). As we have above mentioned the largest stake is OMV Petrom worth RON 4.08bn (EUR 0.96bn).

Indicator	Fair Value (RON)	% NAV
Listed companies	5,348,564,980	38.85%
Un-listed companies	7,126,756,856	51.77%
Cash and cash equivalents	1,421,490,000	10.33%
(-)Total liabilities (incl.debt, provisions <sup>#</sup> )	129,410,000	0.94%
<b>Fair NAV</b>	<b>13,767,401,836</b>	
No of shares	13,778,392,208	
<b>NAV per share</b>	<b>0.9992</b>	
discount for closed-end funds	20%	
discount for restrictive voting rights	5%	
<b>Target price per share</b>	<b>0.7594</b>	

<sup>#</sup> NSC NAV calculation as of 30 November 2010 based on RAS figures  
 Source: BRD-GSG, Fondul Proprietatea

Also, we derived a Fair NAV based on market value estimated by KPMG, JPA and Darian Rom Suisse for all companies and presented within the Prospectus. The valuation date is 31 May 2010. These values were presented in FP's portfolio statement in our table comprising FP's portfolio as Market Value FP.

Indicator	Fair Value (RON)	% NAV
Listed companies	4,768,750,054	30.22%
Un-listed companies	9,588,171,644	60.77%
Cash and cash equivalents	1,421,490,000	9.01%
(-)Total liabilities (incl.debt, provisions <sup>#</sup> )	129,410,000	0.82%
<b>Fair NAV</b>	<b>15,778,411,698</b>	
No of shares	13,778,392,208	
<b>NAV per share</b>	<b>1.1452</b>	
discount for closed-end funds	20%	
discount for restrictive voting rights	5%	
<b>Target price per share</b>	<b>0.8703</b>	

<sup>#</sup> NSC NAV calculation as of 30 November 2010 based on RAS figures

Source: BRD-GSG, Fondul Proprietatea

Please see below the values estimated under our methodology (Market Value BRD-GSG) and the value estimated by the two valuers (Market Value FP) as of 31 May 2010 for each company in FP's portfolio:

Company	Sector	FP stake	Valuation method	ClosingPrice/ Implied Price (RON)	Market Value GSG (RONm)	Market Value FP (RONm)	%Total value of listed and unlisted shares	% Fair NAV
Petrom	Oil&Gas	20.10%	mark to market	0.3580	4,076.00	3,642.21	32.67%	29.61%
Transselectrica Bucuresti	Utilities-Electricity Transportation	13.49%	mark to market	21.5000	212.60	184.54	1.70%	1.54%
Alro Slatina	Non-Energy Minerals	9.92%	mark to market	3.4000	240.74	195.19	1.93%	1.75%
Transgaz	Energy-Natural gas transportation	14.98%	mark to market	280.0000	493.84	446.00	3.96%	3.59%
Romaero	Aircraft manufacturer	20.99%	mark to market	13.5000	17.70	65.32	0.14%	0.13%
Conpet SA	Transport via pipeline	20.05%	mark to market	34.9900	60.74	58.36	0.49%	0.44%
Primcom SA	Real estate	78.97%	mark to market	18.5000	21.35	54.11	0.17%	0.16%
Oil Terminal SA	Cargo handling	10.00%	mark to market	0.2350	13.69	16.34	0.11%	0.10%
Severnava SA	Building of ships and floating structures	39.10%	mark to market	3.6100	7.12	13.19	0.06%	0.05%
Azomures SA	Fertilizers	7.69%	mark to market	0.5100	20.63	18.32	0.17%	0.15%
Delfincom SA	Real estate developer	65.50%	0.8xBV'09	11.5012	106.75	14.37	0.86%	0.78%
Forsev SA	Forging, pressing, stamping and roll-forming of metal; powder metallurgy	28.14%	0.8xBV'09	5.8530	40.86	7.16	0.33%	0.30%
Palace SA (Sinaia)	HoReCa	15.42%	0.8xBV'09	0.2732	0.54	1.17	0.00%	0.00%
Prestari Servicii SA	Other services rendering	70.55%	0.8xBV'09	0.2820	0.02	13.50	0.00%	0.00%
Comcereal Cluj SA	Agriculture	11.36%	0.8xBV'09	3.6351	4.23	1.11	0.03%	0.03%
Bat Service SA - insolvency	Transportation via road	33.00%	insolvency	0.0000	0.00	0.00	0.00%	0.00%
Mecon SA Brasov	Manufacturer of metal structures and part of metal structures	12.51%	mark to market	14.0000	0.84	3.45	0.01%	0.01%
Alcom SA Timisoara	Retail sales (food, beverages)	71.89%	mark to market	135.0000	12.05	21.49	0.10%	0.09%
IOR SA	Manufacturer of optical instruments	2.81%	0.8xBV'09	0.1204	0.05	2.07	0.00%	0.00%
Mecanoenergetica SA	Manufacturer of metal structures and part of metal structures	10.07%	mark to market	0.1400	0.23	1.21	0.00%	0.00%
Turdapan SA	Real estate	44.06%	mark to market	2.5000	0.39	1.97	0.00%	0.00%
Telerom Proiect SA	Architectural consultancy	68.63%	mark to market	1.6700	1.13	0.30	0.01%	0.01%
Transilvania Com SA	Retail sales (textiles)	39.99%	0.8xBV'09	12.7611	15.72	5.97	0.13%	0.11%
Comcereal Fundulea SA	Farming	5.35%	0.8xBV'09	2.1346	0.34	0.79	0.00%	0.00%
Vitacom SA	Retail sales (fruits and vegetables)	46.91%	0.8xBV'09	0.1278	0.01	0.33	0.00%	0.00%
Resib SA	Real estate	2.87%	negative sh.equity	0.0000	0.00	0.08	0.00%	0.00%
Comcereal Miercurea Ciuc SA	Storage and warehousing	10.03%	0.8xBV'09	4.5489	1.00	0.22	0.01%	0.01%
<b>SubTotal Listed Companies</b>		<b>na</b>	<b>na</b>	<b>na</b>	<b>5,348.56</b>	<b>4,768.75</b>	<b>42.87%</b>	<b>38.85%</b>

Source: BRD-GSG estimates, Prospectus

Company	Sector	FP stake	Valuation method	ClosingPrice/ Implied Price (RON)	Market Value GSG (RONm)	BRD- Market Value FP (RONm)	%Total value of listed and unlisted shares	% Fair NAV
Hydroelectrica SA	Energy-Producer	19.94%	avg.(EV/EBITDA'09,P/BV'09,Marcap/Sales'09)	17.58	1,557.06	2,675.47	12.48%	11.31%
Nuclearelectrica SA	Energy-Producer	9.72%	P/BV'09	31.18	768.74	644.28	6.16%	5.58%
Romgaz SA	Energy-Natural gas producer	14.99%	EV/EBITDA'09	227.60	1,306.81	1,534.32	10.48%	9.49%
Complexul Energetic Turceni SA	Energy-Producer	24.78%	avg.(P/BV'09,Marcap/Sales'09)	37.22	423.68	400.61	3.40%	3.08%
Complexul Energetic Craiova SA	Energy-Producer	24.35%	avg.(EV/EBITDA'09,P/BV'09,Marcap/Sales'09)	49.58	312.35	213.39	2.50%	2.27%
Electrica Distributie Muntenia Nord SA	Energy-Distribution	21.99%	avg.(EV/EBITDA'09,P/BV'09)	15.91	123.95	239.32	0.99%	0.90%
ENEL Distributie Banat SA	Energy-Distribution	24.12%	avg.(EV/EBITDA'09,P/BV'09)	25.24	232.65	474.84	1.86%	1.69%
E.ON Moldova Distributie SA	Energy-Distribution	22.00%	avg.(EV/EBITDA'09,P/BV'09)	10.11	111.14	226.39	0.89%	0.81%
Complexul Energetic Rovinari SA	Energy-Producer	23.60%	avg.(EV/EBITDA'09,P/BV'09,Marcap/Sales'09)	34.14	188.59	201.45	1.51%	1.37%
Electrica Distributie Transilvania Sud SA	Energy-Distribution	21.99%	avg.(EV/EBITDA'09,P/BV'09)	11.41	106.40	227.47	0.85%	0.77%
ENEL Distributie Dobrogea SA	Energy-Distribution	24.09%	avg.(EV/EBITDA'09,P/BV'09)	22.60	152.57	304.90	1.22%	1.11%
Aeroportul International Henri Coanda Bucuresti SA (2008)/CN Aeroporturi Bucuresti 2009	Airport	20.00%	avg.(EV/EBITDA'09,Marcap/Sales'09)	69.86	200.89	322.41	1.61%	1.46%
Electrica Distributie Transilvania Nord SA	Energy-Distribution	22.00%	avg.(EV/EBITDA'09,P/BV'09)	11.68	95.41	220.95	0.76%	0.69%
Enel Distributie Muntenia SA	Energy-Distribution	12.00%	avg.(EV/EBITDA'09,P/BV'09)	82.22	267.76	434.64	2.15%	1.94%
Posta Romana SA	National Post Office	25.00%	avg.(P/BV'09,Marcap/Sales'09)	13.26	193.54	240.00	1.55%	1.41%
Societatea Nationala a Sarii SA	Salt production	48.99%	avg.(EV/EBITDA'09,P/BV'09,Marcap/Sales'09)	56.11	112.53	87.08	0.90%	0.82%
E.ON Gaz Distributie SA	Energy-Distribution	11.99%	avg.(EV/EBITDA'09,P/BV'09)	5.77	75.83	165.69	0.61%	0.55%
Distrigaz Sud SA (since 2009 GDF Suez Energy Romania)	Energy-Distribution	12.00%	avg.(EV/EBITDA'09,P/BV'09,Marcap/Sales'09)	132.29	281.50	368.07	2.26%	2.04%
CN Administratia Porturilor Maritime SA	Port	19.99%	avg.(EV/EBITDA'09,P/BV'09,Marcap/Sales'09)	38.27	52.37	58.08	0.42%	0.38%
Zirom SA	Manufacturer of titanium and titanium alloy ingots	100.00%	avg.(P/BV'09,Marcap/Sales'09)	6.65	24.10	41.35	0.19%	0.18%
Electromecanica Ploiesti SA	Manufacturer of military and civil equipments	49.00%	FP is not recogn. as shareholder	0.00	0.00	0.00	0.00%	0.00%
Uzina Mecanica Bucuresti SA	Defense industry	36.59%	FP is not recogn. as shareholder	0.00	0.00	0.00	0.00%	0.00%
CN Administratia Canalelor Navigabile SA	Port	20.00%	avg.(EV/EBITDA'09,P/BV'09,Marcap/Sales'09)	57.81	11.74	13.09	0.09%	0.09%
Plafar SA - insolvency	Health care	49.00%	insolvency	0.00	0.00	0.00	0.00%	0.00%
Petrotel - Lukoil SA	Refinery	2.18%	negative sh.equity	0.00	0.00	3.54	0.00%	0.00%
Aeroportul Intl' Timisoara - Traian Vuia Airport SA	Airport	20.00%	avg.(EV/EBITDA'09,P/BV'09)	330.11	5.03	18.58	0.04%	0.04%
Laromet SA	Manufacturer of non-ferrous semi-products	4.20%	avg.(P/BV'09,Marcap/Sales'09)	0.37	3.34	9.85	0.03%	0.02%
Aeroportul Intl' Mihail Kogalniceanu SA	Airport	20.00%	EV/EBITDA'09	36.34	0.84	2.79	0.01%	0.01%
CN Administratia Porturilor Dunarii Maritime SA	Port	20.00%	avg.(EV/EBITDA'09,P/BV'09,Marcap/Sales'09)	64.14	1.36	2.06	0.01%	0.01%
Carom - Broker Asigurare SA	Insurance	70.00%	P/BV'09	49.28	0.86	1.12	0.01%	0.01%
CN Administratia Porturilor Dunarii Fluviale SA	Port	20.00%	avg.(EV/EBITDA'09,P/BV'09,Marcap/Sales'09)	200.06	5.51	3.36	0.04%	0.04%
Geroital Cosmetics SA - insolvency	Health care	9.76%	insolvency	0.00	0.00	0.00	0.00%	0.00%
Zamur Targu Mures SA	Food producer	7.06%	avg.(P/BV'09,Marcap/Sales'09)	6.96	2.80	3.02	0.02%	0.02%
Electroconstructia Elco Cluj SA	Montaj Instalatii	7.61%	0.7xBV'09	0.70	0.38	0.56	0.00%	0.00%
Celuloza si Otel SA (absorbtion ofRemat Timis SA)	Recycling	8.62%	0.7xBV'09	0.70	0.32	0.68	0.00%	0.00%
Salubriserv SA	Waste collection	17.48%	0.7xBV'09	0.70	5.22	13.44	0.04%	0.04%
Commetex SA	Ceramics products wholesale	15.99%	avg.(P/BV'09,Marcap/Sales'09)	2.94	0.20	0.90	0.00%	0.00%
Comsig SA	Retail (food)	69.94%	0.7xBV'09	nav	0.11	1.56	0.00%	0.00%
Cetatea SA	Real Estate Agent	20.43%	P/BV'09	4.60	0.33	0.40	0.00%	0.00%
Retizoh SA - insolvency	Other special construction	7.37%	insolvency	0.00	0.00	0.06	0.00%	0.00%
World Trade Center Bucuresti SA	HoReCa	19.90%	negative sh.equity	0.00	0.00	0.00	0.00%	0.00%
Ciocarla SA	HoReCa	1.68%	0.7xBV'09	nav	0.41	0.65	0.00%	0.00%
Marlin SA	Financial leasing	4.95%	avg.(P/BV'09,Marcap/Sales'09)	0.09	0.02	0.09	0.00%	0.00%
World Trade Hotel SA	HoReCa	19.90%	0.7xBV'09	0.70	0.01	0.00	0.00%	0.00%
Familial Restaurant SA	Restaurants	2.75%	0.7*BV'09	0.70	0.00	0.07	0.00%	0.00%
E.ON Gaz Romania SA	Energy-Natural gas supplier	11.99%	avg.(P/BV'09,Marcap/Sales'09)	13.96	106.42	105.76	0.85%	0.77%
E.ON Moldova Furnizare SA	Energy-Electricity supply	22.00%	avg.(P/BV'09,Marcap/Sales'09)	27.12	82.75	44.60	0.66%	0.60%
Electrica Furnizare Muntenia Nord SA	Energy- Electricity supply	22.00%	avg.(P/BV'09,Marcap/Sales'09)	119.27	68.23	61.37	0.55%	0.50%
Electrica Furnizare Transilvania Nord SA	Energy-Electricity supply	22.00%	avg.(P/BV'09,Marcap/Sales'09)	173.51	61.82	51.43	0.50%	0.45%
Electrica Furnizare Transilvania Sud SA	Energy-Electricity supply	22.00%	avg.(P/BV'09,Marcap/Sales'09)	161.53	70.76	61.45	0.57%	0.51%
ENEL Energie SA	Energy-Electricity distribution and supply	12.00%	avg.(P/BV'09,Marcap/Sales'09)	35.48	59.61	40.67	0.48%	0.43%
Enel Energie Muntenia SA	Energy-Electricity distributor	12.00%	avg.(EV/EBITDA'09,P/BV'09)	71.12	31.58	56.42	0.25%	0.23%
Romplumb SA	Manufacturer of plumb bullions	51.00%	avg.(EV/EBITDA'09,P/BV'09,Marcap/Sales'09)	12.07	19.26	9.95	0.15%	0.14%
Simtex SA - insolvency	Design of machine tools	30.00%	insolvency	0.00	0.00	0.00	0.00%	0.00%
FECNE SA -judicial reorganization	Nuclear power plant equipment factory	12.12%	judicial reorganization	0.00	0.00	0.00	0.00%	0.00%
<b>SubTotal Unlisted Companies</b>		<b>na</b>			<b>7,126.76</b>	<b>9,588.17</b>	<b>57.13%</b>	<b>51.77%</b>
<b>Total Listed and Unlisted Companies</b>					<b>12,475.32</b>	<b>14,356.92</b>	<b>100.00%</b>	<b>90.61%</b>

Source: BRD-GSG estimates, Prospectus

Our worst case scenario considers the market value of Petrom, Transgaz, Transelectrica and Alro, while applying a 50% discount for un-listed companies' value considered in the base case scenario and keeping a constant level for the cash& cash equivalents position. The resulting Fair NAV is RON 0.7170 per share and target price of RON 0.5449.

Indicator	Fair Value (RON)	% NAV
Listed companies	5,023,187,055	50.85%
Un-listed companies	3,563,378,428	36.07%
Cash and cash equivalents	1,421,490,000	14.39%
(-)Total liabilities (incl.debt, provisions <sup>#</sup> )	129,410,000	1.31%
<b>Fair NAV</b>	<b>9,878,645,483</b>	
No of shares	13,778,392,208	
<b>NAV per share</b>	<b>0.7170</b>	
discount for closed-end funds	20%	
discount for restrictive voting rights	5%	
<b>Target price per share</b>	<b>0.5449</b>	

<sup>#</sup> NSC NAV calculation as of 30 November 2010 based on RAS figures  
Source: BRD-GSG, Fondul Proprietatea

## Main risks to our valuation

Main risks to our Fair NAV calculation that might trigger further restatements on our valuation methodology arises from:

- **Low visibility on unlisted company's fundamentals.** The most recent public available financial data for the unlisted companies which represent 62% of NSC NAV as of 30 November'10 are for 2009. Still, thanks to the publication of the Prospectus more financial data were released, allowing applying peers valuation for different multiples. However, there is not a guarantee that these methodologies will be applied in the future, because the unlisted companies are not obliged to provide FP with full financial statements in due time;
- **Changes to FP's portfolio structure subsequent to Government decision to establish the two giants in energy** and/or to all other modifications that might appear;
- **Higher/Lower market prices and associated trading multiples for companies FP's portfolio;**
- **Listing of some of the companies in FP's portfolio on regulated market will have a positive impact on FP's portfolio transparency and will bring additional public information on its portfolio market value;**

Also, we don't leave out the possibility to add to our valuation methodology other scenarios that might include DCF valuation once more data will be available. In our opinion, we will run a significant risk by performing a DCF valuation based on a restrained range of data.

## NSC NAV calculation

The regulatory basis for the calculation of the Fund's NSC NAV is determined by NSC Regulation no. 4 and NSC Regulation no. 15. However, following NSC enactment no. 17 as of 25 November 2010, certain provisions regarding the valuation rules of financial instruments held by the Fund have been amended, following FTI request to apply international valuation standards to calculate FP's NAV. Consequently, main valuation principles of Fund's holdings currently in force are the following:

- **Securities and money market instruments traded in the past 30 days** on a regulated market in Romania, in a member state or non-member (booked as long term/short term assets in FP's financial statements) are valued at the closing price recorded on the core market segment. In case of occurrence of events within the above mentioned time frame that could influence the market value of the considered financial instruments (such as change in share's face value, distribution of bonus shares), valuation methods complying with the International Valuation Standards come into force.

- **Securities not admitted to trading on a regulated market or not traded in the past 30 days** are valued based on the issuer's book value according to its last financial statement or valuation methods compliant with the International Valuation Standards. **Money market instruments** not traded in the past 30 days use a method based on the daily acknowledgement of the interest relating to the period expired from the purchase date.
- The units of another UCI and/or UCITS traded on a regulated market within the past 30 days are valued at the closing price recorded on the core market segment. The units of another UCI and/or an UCITS not traded on a regulated market are valued at the last net asset value per share calculated for such units and published.
- The valuation methodology considered **for securities admitted to trading in several regulated markets** is similar to the one corresponding to securities admitted on a single regulated market, except that the value must be set considering the market having the highest liquidity and frequency level in trading such securities.

The figures published according to NSC NAV methodology is presented below:

Indicator	Fair Value (RON)	% NAV
Listed companies	4,739,806,366	29.81%
<i>traded within 30 days</i>	<i>4,703,757,610</i>	<i>29.58%</i>
<i>tot traded within the last 30 days</i>	<i>36,048,756</i>	<i>0.23%</i>
Un-listed companies	9,866,313,140	62.05%
Cash and cash equivalents	1,421,490,000	8.94%
(-)Total liabilities (incl.debt, provisions <sup>#</sup> )	129,410,000	0.81%
<b>NSC NAV</b>	<b>15,901,862,858</b>	
No of shares	13,778,392,208	
<b>NAV per share</b>	<b>1.1541</b>	

<sup>#</sup> NSC NAV calculation as of 30 November 2010 based on RAS figures  
 Source: Prospectus

## H1'10 RAS financial results

According to unaudited FP H1'10 RAS statements, net profit reached RON 210.49m (up by 25% yoy). The figure exceeds 2010 budgeted amount (RON 194.94m) as H1'10 financial results are free of certain cost items related to the listing procedures that were recorded in the second half of the year (ex. Organization of General Meeting of Shareholders expenses, portfolio valuation expenses, expenses related to the compilation of the company's IFRS financial statements for 2007-2009).

Dividends received from the companies held in the investment portfolio were the most important revenues source for FP (65%). The amount recorded in H1'10 is driven mainly by dividends corresponding to the company's exposure on oil, gas and utilities sectors as Romgaz (RON 87.83m), Transgaz (RON 22.98m) and GDF Suez Energy Romania (RON 30m) insured more than 80% of booked dividends. However, dividends from GDF Suez Energy Romania were called off in Oct'10 due to procedural issues related to the company.

H1'10 total expenses accounted for 64% of 2010 budgeted figures (revised terms).

On the balance sheet side as of H1'10, financial assets portfolio was booked at RON 9,553.35m (77% of total assets), while cash and cash equivalents were recorded at RON 2,226.6m (18% of total assets). Both items were positioned at similar levels to H1'09.

## 2011 expectations by FP

The Budget for 2011 released by Fondul Proprietatea shows a slight improvement of the company's bottom line compared to the revised budgeted figures for 2010. Net profit is expected to climb 6% yoy up to RON 207m amid operational revenues and operational expenses higher by 8% yoy and 18% yoy, respectively. The financial performance for next year will be supported by dividend incomes and a better cost management, while considering a conservative investment strategy with no new equity investments and no disinvestments of currently held stakes. 2011 FP Budget was drawn up according to Romanian Accounting Standards.

On the revenues side, dividend income remains the most significant item as it accounts for around 70% of total operational revenues. The figure is expected to improve by 21% yoy based on improved economic performance recorded by the companies held in portfolio in 2010. As for the second major component of total operational revenues, interest income is seen as declining by 14% yoy, probably due to a lower calculus base. No revenues from selling stakes held in portfolio are projected in 2011, but we don't exclude future changes of investment strategy with impact on FP's financials.

Total operating costs are also forecasted to go up 18% yoy in 2011 as many items are higher amid the company's obligations arising from its listing on BSE. Third parties expenses (more than double relative to 2010) remain the leader in terms of weight within operating expenses items (72%) and consist mainly out of investment management and administration fees owed to FTI. Other important cost items are represented by commissions and fees (+119% yoy) collected by NSC and also bank commissions (+122% yoy) largely determined by the monthly depositary commission. One of the new-entries on the expenses side is represented by marketing and public relation costs (RON 0.84m) as listing procedures, disclosing obligations and promoting activities will require further financial resources during 2011. Personnel related expenses will shed 74% yoy according to next year's budget, as imposed by a Government decision that all companies in which the state is major shareholder to reduce by 25% yoy its personnel costs.

Tax income is budgeted at zero level comparative to RON 4.14m in 2010 as total expenses surpass total revenues except for dividend income which is considered as non taxable item.

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#### BRD-GSG rating system (January 2011)

##### Premium List

Selected from stocks expected to outperform the market by over 25%.

##### Buy

Expected to outperform the market by at least 10%.

##### Hold

Expected to perform in line with the market +/-10%.

##### Sell

Expected to underperform the market by at least 10%.

##### Assumptions

12 month time horizon and flat market over forecast period.

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# Appendices

Appendix 1 – Unlisted companies implied value (base scenario). Sector multiples are detailed in Appendix 2 – Peers' Multiples.

General sector	Company	Sector detail	Sales'09 (RONm)	EBITDA '09 (RONm)	Net debt'09 (RONm)	BV '09	P/BV '09	EV/EBITDA'09	MkCap/Sales'09	Implied Price (RON)			Implied value (RONm)		
										P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
Oil&Gas	Romgaz SA	Energy-Natural gas producer	3,193.50	1,826.89	(755.94)	216.91	0.95	4.36	1.94	206.20	227.60	161.81	1,183.93	1,306.81	929.07
	Petrotel - Lukoil SA	Refinery	3,320.93	(180.13)	63.78	-3.69	0.95	4.36	1.94	-3.51	-8.61	65.36	-	(18.50)	140.51

Source: Prospectus, FactSet, BRD-GSG

General sector	Company	Sector detail	Sales'09 (RONm)	EBITDA '09 (RONm)	Net debt'09 (RONm)	BV '09	P/BV '09	EV/EBITDA'09	MkCap/Sales'09	Implied Price (RON)			Implied value (RONm)		
										P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
Electricity generation	Hidroelectrica SA	Energy-Producer	2,420.80	836.41	1,452.87	37.28	1.09	5.37	0.97	40.64	6.84	5.27	3,599.12	605.51	466.55
	Nuclearelectrica SA	Energy-Producer	1,526.66	649.12	2,032.84	28.59	1.09	5.37	0.97	31.18	5.72	5.82	768.74	141.07	143.42
	Complexul Energetic Turcenii SA	Energy-Producer	1,125.50	(61.69)	89.26	46.55	1.09	5.37	0.97	50.76	-9.15	23.68	577.81	(104.17)	269.56
	Complexul Energetic Craiova SA	Energy-Producer	1,132.42	314.61	131.54	42.42	1.09	5.37	0.97	46.25	60.19	42.31	291.37	379.17	266.51
	Complexul Energetic Rovinari SA	Energy-Producer	845.41	107.49	157.60	45.48	1.09	5.37	0.97	49.59	17.92	34.91	273.95	98.97	192.84

Source: Prospectus, FactSet, BRD-GSG

General sector	Company	Sector detail	Sales'09 (RONm)	EBITDA '09 (RONm)	Net debt'09 (RONm)	BV '09	P/BV '09	EV/EBITDA'09	MkCap/Sales'09	Implied Price (RON)			Implied value (RONm)		
										P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
Electricity distribution	Electrica Distributie Muntenia Nord SA	Energy-Distribution	611.47	75.59	(103.82)	29.79	0.73	3.41	0.46	21.61	10.20	7.94	168.43	79.46	61.84
	ENEL Distributie Banat SA	Energy-Distribution	526.41	203.30	(400.22)	30.16	0.73	3.41	0.46	21.88	28.60	6.33	201.70	263.60	58.39
	E.ON Moldova Distributie SA	Energy-Distribution	630.07	143.66	15.12	14.78	0.73	3.41	0.46	10.73	9.49	5.80	117.93	104.35	63.75
	Electrica Distributie Transilvania Sud SA	Energy-Distribution	539.19	97.72	(38.09)	19.40	0.73	3.41	0.46	14.07	8.75	5.85	131.21	81.59	54.53
	ENEL Distributie Dobrogea SA	Energy-Distribution	391.46	132.97	(228.35)	28.78	0.73	3.41	0.46	20.88	24.31	6.42	140.99	164.15	43.37
	Electrica Distributie Transilvania Nord SA	Energy-Distribution	495.88	90.58	(1.43)	20.69	0.73	3.41	0.46	15.01	8.35	6.14	122.61	68.21	50.17
	ENEL Distributie Muntenia SA	Energy-Distribution	732.67	189.26	(1,854.93)	99.69	0.73	3.41	0.46	72.33	92.12	12.42	235.54	299.97	40.43

Source: Prospectus, FactSet, BRD-GSG

General sector	Company	Sector detail	Sales'09 (RONm)	EBITDA '09 (RONm)	Net debt'09 (RONm)	BV '09	P/BV '09	EV/EBITDA'09	MkCap/Sales'09	Implied Price (RON)			Implied value (RONm)		
										P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
Materials	Sarii SA	Salt production	188.41	19.48	(5.41)	39.14	0.92	5.93	2.23	35.98	29.53	102.82	72.16	59.21	206.21
	Zirom SA	Manufacturer of titanium and titanium alloy ingots	7.29	(0.58)	(2.96)	9.58	0.92	5.93	2.23	8.81	-0.13	4.49	31.92	(0.48)	16.29
	Laromet SA	Manufacturer of non-ferrous semi-products	8.99	(136.25)	na	0.70	0.92	5.93	2.23	0.64	na	0.09	5.84	na	0.84
	Romplumb SA	Manufacturer of plumb bullions	35.86	2.88	(3.48)	4.39	0.92	5.93	2.23	4.03	6.57	25.61	6.43	10.48	40.86

Source: Prospectus, FactSet, BRD-GSG



General sector	Company	Sector detail	Sales'09 (RONm)	EBITDA '09 (RONm)	Net debt'09 (RONm)	BV '09	P/BV '09	EV/EBITDA'09	MkCap/Sales'09	Implied Price (RON)			Implied value (RONm)		
										P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
Transportation	CN Aeroporturi Bucuresti	Airport	395.68	152.64	(17.60)	349.72	1.64	7.54	2.12	574.79	81.27	58.45	1,652.79	233.70	168.08
	Aeroportul Intl' Timisoara - Traian Vuia SA	Airport	41.07	9.27	4.31	153.54	1.64	7.54	2.12	252.36	407.87	542.47	8.12	13.12	17.45
	Aeroportul Intl' Mihail Kogalniceanu SA	Airport	14.07	0.46	(0.74)	107.86	1.64	7.54	2.12	177.28	36.34	258.07	4.11	0.84	5.98
	CN Administratia Porturilor Maritime SA	Port	209.79	41.12	54.72	44.16	0.92	6.25	1.46	40.44	29.57	44.79	55.34	40.46	61.30
	CN Administratia Canalelor Navigabile SA	Port	36.15	6.66	(9.70)	77.39	0.92	6.25	1.46	70.86	50.55	52.02	14.40	10.27	10.57
	CN Administratia Porturilor Dunarii Maritime SA	Port	9.33	(0.17)	(0.13)	79.48	0.92	6.25	1.46	72.79	-8.79	128.43	1.55	(0.19)	2.73
	CN Administratia Porturilor Dunarii Fluviale SA	Port	18.64	5.24	(3.27)	153.81	0.92	6.25	1.46	140.84	261.57	197.76	3.88	7.21	5.45

Source: Prospectus, FactSet, BRD-GSG

General sector	Company	Sector detail	Sales'09 (RONm)	EBITDA '09 (RONm)	Net debt'09 (RONm)	BV '09	P/BV '09	EV/EBITDA'09	MkCap/Sales'09	Implied Price (RON)			Implied value (RONm)		
										P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
Other services	Posta Romana SA	National Post Office	1,435.74	(166.40)	(129.14)	11.62	1.62	4.27	0.31	18.79	-9.97	7.74	274.17	(145.47)	112.90
	Electroconstructia Elco Cluj SA	Montaj Instalatii	7.00	na	0.16	1.67	0.70	na	na	1.17	na	0.00	0.38	na	na
	Celuloza si Otel SA	Recycling	18.95	0.70	1.20	121.27	0.70	na	na	84.89	-27.11	0.00	0.32	(0.10)	na
	Salubriserv SA	Waste collection	25.51	10.46	37.88	172.46	0.70	na	na	120.72	-153.12	0.00	5.22	(6.62)	na
	World Trade Center Bucuresti SA	HoReCa	46.30	5.27	(30.95)	-113.39	1.56	5.71	0.52	-176.85	61.08	24.27	(35.17)	12.15	4.83
	World Trade Hotel SA	HoReCa	na	(0.00)	(0.09)	1.00	1.56	5.71	0.52	0.70	0.98	0.00	0.01	0.02	na
	Ciocarila SA	HoReCa	5.67	na	na	na	0.70	5.71	0.52	na	na	na	0.41	na	0.05
	Familial Restaurant SA	Restaurants	na	na	(0.00)	2.75	1.56	5.71	0.52	0.70	na	0.00	0.00	na	na

Source: Prospectus, FactSet, BRD-GSG

General sector	Company	Sector detail	Sales'09 (RONm)	EBITDA '09 (RONm)	Net debt'09 (RONm)	BV '09	P/BV '09	EV/EBITDA'09	MkCap/Sales'09	Implied Price (RON)			Implied value (RONm)		
										P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
Natural gas distribution	E.ON Gaz Distributie SA	Energy-Distribution	724.46	201.32	74.07	8.21	0.73	3.41	0.46	5.96	5.58	3.04	78.30	73.36	39.95

Source: Prospectus, FactSet, BRD-GSG

General sector	Company	Sector detail	Sales'09 (RONm)	EBITDA '09 (RONm)	Net debt'09 (RONm)	BV '09	P/BV '09	EV/EBITDA'09	MkCap/Sales'09	Implied Price (RON)			Implied value (RONm)		
										P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
Natural Gas supply	GDF Suez Energy Romania (ex Distrigaz Sud SA)	Energy-Natural Gas Supplier	3,628.83	537.31	294.82	142.21	1.23	4.71	0.47	174.94	126.06	95.87	372.26	268.25	203.99
	E.ON Gaz Romania SA	Energy-Natural gas supplier	2,557.67	111.38	(12.76)	12.98	0.73	3.41	0.46	9.42	6.17	18.50	71.81	47.03	141.04

Source: Prospectus, FactSet, BRD-GSG

General sector	Company	Sector detail	Sales'09 (RONm)	EBITDA '09 (RONm)	Net debt'09 (RONm)	BV '09	P/BV '09	EV/EBITDA'09	MkCap/Sales'09	Implied Price (RON)			Implied value (RONm)		
										P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
Electricity supply	E.ON Moldova Furnizare SA	Energy- Electricity supply	1,448.60	(98.42)	(14.26)	8.55	0.73	3.41	0.46	6.20	-23.15	48.03	18.93	(70.63)	146.57
	Electrica Furnizare Muntenia Nord SA	Energy- Electricity supply	1,326.21	(11.86)	(7.14)	5.47	0.73	3.41	0.46	3.97	-12.79	234.57	2.27	(7.32)	134.18
	Electrica Furnizare Transilvania Nord SA	Energy-Electricity supply	1,175.55	(10.98)	(1.29)	18.20	0.73	3.41	0.46	13.20	-22.30	333.81	4.70	(7.95)	118.94
	Electrica Furnizare Transilvania Sud SA	Energy-Electricity supply	1,335.07	(28.84)	25.44	20.25	0.73	3.41	0.46	14.70	-62.12	308.36	6.44	(27.21)	135.08
	ENEL Energie SA	Energy-Electricity supply	1,849.63	(114.57)	(159.06)	14.06	0.73	3.41	0.46	10.20	-16.52	60.76	17.13	(27.75)	102.08
	Enel Energie Muntenia SA	Energy-Electricity supply	1,919.52	(20.65)	(372.79)	83.40	0.73	3.41	0.46	60.51	81.73	238.56	26.87	36.29	105.93

Source: Prospectus, FactSet, BRD-GSG

General sector	Company	Sector detail	Sales'09 (RONm)	EBITDA '09 (RONm)	Net debt'09 (RONm)	BV '09	P/BV '09	EV/EBITDA'09	MkCap/Sales'09	Implied Price (RON)			Implied value (RONm)		
										P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
Capital goods	Electromecanica Ploiesti SA	Manufacturer of military and civil equipments	5.48	na	na	22.28	1.05	4.12	0.33	23.44	na	0.90	23.49	na	0.90
	Uzina Mecanica Bucuresti SA	Defense industry	23.01	na	na	5.71	1.05	4.12	0.33	6.01	na	0.95	17.72	na	2.81

Source: Prospectus, FactSet, BRD-GSG

General sector	Company	Sector detail	Sales'09 (RONm)	EBITDA '09 (RONm)	Net debt'09 (RONm)	BV '09	P/BV '09	EV/EBITDA'09	MkCap/Sales'09	Implied Price (RON)			Implied value (RONm)		
										P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
Retail	Comsig SA	Retail (food)	0.11	0.01	(0.11)	na	0.70	8.75	0.30	na	na	na	0.11	0.14	0.02
	Zamur Targu Mures SA	Food producer	32.37	2.81	(17.96)	7.49	1.63	8.75	0.30	12.22	7.48	1.70	4.91	3.01	0.68
	Commetex SA	Ceramics products wholesale	0.93	0.05	(0.07)	3.20	1.63	8.75	0.30	5.21	1.14	0.66	0.35	0.08	0.04
	Ciocarla SA	HoReCa	5.67	na	na	na	0.70	5.71	0.52	na	na	na	0.41	na	0.05

Source: Prospectus, FactSet, BRD-GSG

General sector	Company	Sector detail	Sales'09 (RONm)	EBITDA '09 (RONm)	Net debt'09 (RONm)	BV '09	P/BV '09	EV/EBITDA'09	MkCap/Sales'09	Implied Price (RON)			Implied value (RONm)		
										P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
Financial services	Carom - Broker Asigurare SA	Insurance	1.13	(0.00)	(0.40)	62.80	0.78	3.45	1.86	49.28	15.68	84.17	0.86	0.27	1.47
	Marlin SA	Financial leasing	0.23	(0.03)	(0.00)	0.12	0.78	3.45	1.86	0.10	-0.02	0.07	0.03	(0.01)	0.02
	Cetatea SA	Real Estate Agent	0.20	0.06	0.07	5.87	0.78	3.45	1.86	4.60	0.40	1.05	0.33	0.03	0.08

Source: Prospectus, FactSet, BRD-GSG

## Appendix 2 - Peers' Multiples

Airport sector																				
Company	Country	Market Cap. (EURm)	Price/Book			Market capitalization/Sales			Ev/EBIDTA			EV (EURm)			Return on assets (ROA)			Return on equity (ROE)		
			2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Aeroporto di Firenze-A.d.F. S.p.A.	Italy	103	3.82			3.55	2.52	2.40	12.31	10.95	10.16	116.6	115.0	119.4						
Brisa-Autoestradas de Portugal S/A	Portugal	3,235	3.15	1.50	1.52	6.37	4.61	4.52	16.41	11.25	10.81	5,408.7	5,464.3	7,940.3	2.50%	2.66%	2.68%	9.84%	33.82%	6.65%
Derichebourg	France	958	2.55	3.46	2.90	0.22	0.28	0.28	16.37	7.15	5.83	1,711.5	1,727.8	1,467.3				-30.45%	27.00%	30.67%
Gemina S.p.A.	Italy	839	0.55	0.47	0.48	1.49	1.28	1.25	5.40	9.02	7.97	2,193.2	2,186.0	1,300.7		-0.28%	0.37%	-0.39%	0.08%	1.47%
Kobenhavns Lufthavne A/S	Denmark	1,643	2.89	3.92	3.78	3.34	4.26	3.68	8.89	10.42	9.26	2,228.6	2,363.5	1,725.8		10.26%	7.80%	20.29%	22.00%	22.76%
Flughafen Wien AG	Austria	1,020	0.92	1.31	1.19	1.46	2.03	1.86	8.38	10.23	10.28	1,946.7	1,838.6	1,403.5	3.64%	3.75%	3.46%	8.44%	9.92%	9.51%
Shenzhen Airport Co. Ltd.	China	1,774	2.54	1.60	1.29	4.81	7.93	7.55	7.64	14.81	15.10	2,033.6	1,802.5	709.5	8.57%	8.47%	6.55%	10.90%	13.84%	10.95%
Autoroutes Paris-Rhin-Rhone	France	5,791	17.60	25.67	22.62	3.31	3.04	2.95	10.44	9.59	9.18	12,443.6	12,524.5	12,937.1				140.11%	146.21%	245.25%
Japan Airport Terminal Co. Ltd.	Japan	1,014	1.14	1.06	1.09	0.87	0.77	0.71				1,359.0	1,375.1		1.13%	1.06%	1.80%	2.27%	2.16%	3.55%
Societa Iniziative Autostradali e Servizi - SIAS S.p.A.	Italy	1,651	1.13	1.20	1.15	1.82	1.67	1.57	7.31	6.41	6.07	3,567.5	3,346.7	3,308.1				8.30%	10.79%	11.24%
TECO Maritime ASA	Norway	5	0.65	0.83	0.78	0.20	0.22	0.20	20.15	2.60	3.27	4.2	3.7	4.9	-4.21%	-8.82%	0.00%	-13.63%	-16.55%	-0.69%
		Average	2.35	2.04	1.86	3.03	3.27	3.08	10.77	10.55	9.92				4.90%	4.97%	4.17%	3.10%	17.78%	13.67%

Source: FactSet

Electricity distribution sector																	
Company	Country	Market Cap (EURm)	Price/Book			Market capitalization/Sales			EV/EBIDTA			Return on assets (ROA)			Return on equity (ROE)		
			2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
EMASZ Nyrt.	Hungary	240															
IDGC of Centre JSC	Russia	1,002	1.20	1.16	0.85	0.63	0.83	0.55	3.82	5.28	3.21		6.70%	10.02%	5.74%	12.66%	18.96%
Interregional Distribution Grid Co. of Siberia	Russia	479	2.10	0.53	0.41	0.54	0.47	0.35	5.99	8.78	3.44		-1.25%	6.09%		-2.01%	6.52%
Interregional Distribution Grid Co. of South	Russia	210	0.46	0.44		0.49	0.40	0.33	4.01	5.90	4.30		-0.06%	3.07%			
Interregional Distribution Grid Co. of the North-West	Russia	403	1.17	1.20		0.91	0.62	0.40	6.81	5.50	3.22		1.15%	5.24%			
Interregional Distribution Grid Co. of Urals	Russia	569	0.60	1.18	1.05	0.61	0.53	0.46	3.51	4.23	3.15		5.40%	7.21%		9.80%	14.59%
Interregional Distribution Grid Co. of Volga	Russia	766	0.70	0.83	0.68	0.76	0.80	0.70	5.06	6.91	4.88		3.22%	6.88%		2.92%	4.92%
Moscow Heat Distribution Co.	Russia	497		1.07	0.77			0.88								45.03%	38.99%
Lesto Ab LtI1	Lithuania	234															
Elmu Nyrt.	Hungary	622															
		Average	1.0 x	0.9 x	0.8 x	0.7 x	0.6 x	0.5 x	4.9 x	6.1 x	3.7 x	na	2.53%	6.42%	5.74%	13.68%	16.79%

Source: FactSet

Electricity sector																			
Company	Country	Market Cap. (EURm)	Price/Book				Price/Earnings			Market capitalization/Sales			Ev/EBIDTA			Return on assets (ROA)		Return on Equity (ROE)	
			2009	2010	2011		2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2009	2010
JKX Oil & Gas PLC	Great-Britain	602	1.68	1.12	1.26		9.97	10.89	8.17	3.78	4.25	2.77	4.79	5.09	2.94	18.13%	11.07%	19.15%	11.79%
Lundin Petroleum AB	Sweden	3,027	1.57	3.49	2.99		52.25	55.36	24.76	1.76	4.70	4.13	4.33	7.82	6.62	0.79%	11.86%	3.09%	6.66%
Etablissements Maurel & Prom	France	1,471	1.36	1.21	1.28		60.11	29.19	9.89	7.68	4.02	3.08	14.82	9.69	6.17	4.46%	2.55%	2.32%	4.39%
Melrose Resources PLC	Great-Britain	345	1.40	0.81	1.30		20.71	39.33	8.61	2.28	1.83	1.46	5.49	6.31	3.89	1.24%	1.10%	7.31%	2.44%
PA Resources AB	Sweden	408	0.81	0.80	0.56		36.79		10.37	1.93	2.13	1.10	5.17	5.84	3.15	0.87%	-0.81%	2.23%	-1.14%
Premier Oil PLC	Great-Britain	2,829	2.14	3.21	2.95		23.48	29.65	20.94	3.13	4.57	3.88	4.98	8.30	6.93	4.42%	4.14%	9.54%	11.61%
Providence Resources PLC	Ireland	111							73.10					10.81	6.52				
Sefton Resources Inc.	Great-Britain	4																	
Slavneft-Megionneftegaz JSC	Russia	1,599																	
Total Gabon S.A.	France	1,569	1.37	1.52	1.22		9.68	6.97	7.10	1.66	1.41	1.48	2.30	1.65	2.64			14.48%	20.09%
Yinggao Holdings PLC	Great-Britain	48																	
Gazprom OAO	Russia	119,713	0.84	0.75	0.65		7.04	5.07	4.93	1.51	1.30	1.27	5.09	4.27	4.29	7.83%	9.27%	11.74%	15.90%
PGNiG.	Poland	5,442	1.06	0.92	0.86		23.56	11.90	10.81	1.23	1.02	0.93	9.04	5.96	5.67	3.06%	5.44%	4.55%	8.12%
		Average	1.4 x	1.5 x	1.5 x		27.1 x	23.5 x	17.9 x	2.8 x	2.8 x	2.2 x	6.2 x	6.6 x	4.9 x	5.10%	5.58%	8.27%	8.87%

Source: FactSet

Electricity generation																				
Company	Country	Market Cap. (EURm)	Price/Book			Market capitalization/Sales			Ev/EBIDTA			EV(EURm)			Return on assets (ROA)			Return on equity (ROE)		
			2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Cez A.S.	Czech Republic	18,399	2.17	1.91	1.87	2.44	2.13	2.22	6.14	6.61	7.09	21,268.0	23,321.3	25,848.7	9.82%	8.27%	7.40%	25.80%	23.01%	20.30%
Enea S.A.	Poland	2,694	1.01	1.07	1.03	1.41	1.43	1.25	7.85	6.90	6.10	2,246.6	2,478.1	2,626.1	5.21%	5.21%	6.13%		7.33%	8.55%
Enel S.p.A.	Italy	36,344	1.24	1.04	1.03	0.63	0.52	0.53	5.80	4.92	4.92	90,712.4	82,697.9	83,055.6	3.45%	3.02%	2.72%	16.02%	13.00%	12.50%
EnBW Energie Baden-Wuerttemberg AG	Germany	10,851	1.75	1.56	1.59	0.67	0.67	0.68	6.62	6.20	6.37	17,125.1	16,718.2	16,942.4				17.60%	13.11%	9.26%
International Power PLC	Great-Britain	7,449	1.06	1.16	1.36	1.41	1.79	0.75	8.08	9.31	5.64	11,577.9	14,147.5	17,550.3		2.96%	3.33%	11.78%	8.60%	7.90%
Scottish & Southern Energy PLC	Great-Britain	13,436	3.15	3.13	2.79	0.52	0.55	0.51	9.07	9.54	8.44	18,556.5	20,700.4	20,247.0	6.32%	5.85%	6.02%	30.44%	28.33%	27.00%
Zespol Elektrociepłowni Wroclawskich Kogenera	Poland	392																		
Elektrociepłownia Bedzin S.A.	Poland	35																		
Wholesale Generation Co.-5	Russia	1,472	1.14	1.57	0.80	1.82	1.93	0.93	11.11	11.23	4.49	2,084.2	2,981.9	1,918.6	3.54%	4.71%	8.33%	5.28%	7.94%	14.12%
PGE Polska Grupa Energetyczna S.A.	Poland	11,194	1.40	1.20	1.10	1.92	2.07	1.92	5.25	5.81	5.32	10,046.2	10,358.6	10,805.7		5.80%	6.98%		9.40%	10.10%
Wholesale Generation Co.-1	Russia	1,239	0.91	0.13	1.36	0.70	0.95	0.77	9.14	5.11	4.06	903.1	943.2	977.0	4.05%	4.64%	5.93%	7.69%	1.63%	1.59%
Wholesale Generation Co.-3	Russia	1,852	0.64	0.60	0.85	1.99	1.85	1.79	5.11	12.54	15.69	536.8	941.3	1,512.7	4.82%	2.36%	2.28%	4.64%	2.74%	2.28%
Yakutskenergo	Russia	88																		
Yenisei Territorial Generating Co. (TGC-13)	Russia	442																		
Photonike S.A.	Belgium	16																		
Tauron Polska Energia S.A.	Poland	2,976		0.81	0.76		0.80	0.76		4.29	4.12		2,980.2	3,142.1		3.78%	4.41%		6.82%	7.38%
Yinggao Holdings PLC	Great-Britain	47																		
Aksa Enerji Uretim A.S.	Turkey	1,460		4.02	3.41		2.85	1.73		21.35	11.35		1,855.9	1,996.4		4.41%	5.74%			21.41%
Energie Europe Service S.A.	France	27																		
Kea Petroleum PLC	Great-Britain	85		1.02									55.7	75.9						
Nopal AD	Serbia	0																		
Poltavahimmash	Ukraine					0.44									-4.42%					
Verbund AG	Austria	9,094	2.67	2.44	2.20	2.62	2.93	2.70	10.17	12.57	11.40	12,873.9	13,016.2	12,841.7	6.78%	4.14%	5.03%	21.14%	13.56%	14.08%
Rushydro Jsc Rub1 Issue 2010(Rub																				
		Average	1.6 x	1.5 x	1.5 x	1.4 x	1.6 x	1.3 x	7.7 x	9.0 x	7.3 x				4.40%	4.60%	5.36%	15.60%	11.29%	12.04%

Source: FactSet

Maritime ports and services																	
Company	Country	Market Cap. (EURm)	Price/Book			Market capitalization/Sales			Ev/EBIDTA			Return on assets (ROA)			Return on equity (ROE)		
			2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Forth Ports PLC	Great-Britain	757	2.36	2.48	2.39	2.91	3.33	3.29	12.70	13.72	13.06	3.86%	3.97%	4.27%	10.41%	10.67%	10.98%
Piraeus Port Authority S.A.	Greece	282	2.02	1.99	1.69	2.81	2.30	2.15	14.34	21.40	15.54	2.82%	0.50%	0.97%	3.50%	1.74%	3.75%
Thessaloniki Port Authority S.A.	Greece	105	1.25	0.91		3.33	2.17		12.43	7.84					4.24%	-0.67%	
Bintulu Port Holdings Bhd	Malaysia	678	3.00	3.01	3.24	5.90	5.82	5.56	11.87	10.93	10.34	12.17%	14.42%	14.50%	14.18%	18.08%	17.40%
Jinzhou Port Co Ltd B USD	China	805		1.35	1.30		8.41	7.40									6.07%
Diana Shipping Inc.	Greece	777	1.17	0.86	0.79	5.07	3.69	3.75	6.88	5.44	4.91	9.15%	8.39%	7.35%	12.94%	12.49%	10.28%
DryShips Inc.	Greece	1,405	0.63	0.62	0.56	1.82	2.15	1.54	7.06	6.45	5.83	2.00%	2.88%	4.88%	6.23%	11.36%	11.30%
Kim Royal Dutch Airls Com Ny Reg New	Netherlands	287															
Navios Maritime Holdings Inc.	Greece	427	0.70	0.54	0.52	1.09	0.87	0.89	9.17	8.33	6.51	3.03%	4.22%	4.19%	7.97%	8.13%	10.91%
Seaspan Corp.	Hong Kong	755	1.10	1.01	0.91	2.18	2.10	1.76	11.68	9.91	8.82	2.22%	-3.56%	2.52%	9.44%	8.47%	11.36%
TOP Ships Inc.	Greece	27				0.28	0.40	0.44	9.88	7.25	7.32						
Thessaloniki Port Authority S.A.	Greece	134	1.25	1.16													
Shenzhen Yantian Port Hldgs Co Ltd	China	716		2.66													
Jinzhou Port	China	731															
Bintulu Port	Malaysia	529	3.00	2.89	3.00												
		Average	1.3 x	1.4 x	1.2 x	2.1 x	1.8 x	1.7 x	8.9 x	7.5 x	6.7 x	4.10%	2.98%	4.74%	9.15%	10.11%	10.96%

Source: FactSet

Gas distributors sector																	
Company	Country	Market Cap. (EURm)	Price/Book			Market capitalization/Sales			Ev/EBIDTA			Return on assets (ROA)			Return on equity (ROE)		
			2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Acegas APS S.p.A.	Italy	207	0.65			0.49	0.41	0.40		6.22	5.53					3.32%	
ACSM-AGAM S.p.A.	Italy	82		0.60	0.58		0.36	0.32		0.04	0.03						4.87%
Altergaz	France	207															
Aygaz A.S.	Turkey	1,357	1.07	1.91	1.95	0.55	0.58	0.60	4.40	8.30	8.66	10.90%	8.95%	9.83%	15.42%	15.92%	19.36%
Centrica PLC	Great-Britain	20,280	2.95	3.55	3.07	0.72	0.79	0.77	6.84	6.25	5.81		11.00%	8.76%	21.24%	29.06%	26.84%
Gas Natural SDG S.A.	Spain	10,278	1.29	0.93	0.89	0.80	0.57	0.56	7.93	6.59	6.41	2.86%	2.72%	2.57%	12.05%	10.09%	9.49%
GDF Suez S.A.	France	62,335	1.14	0.97	1.00	0.82	0.72	0.71	6.94	6.39	6.03	2.75%	2.61%	2.67%	7.91%	7.18%	7.93%
Latvijas Gaze AS	Latvia	273															
Leon Gas S.A.	France	0															
Lietuvos Dujos AB	Lithuania	337															
Rubis S.A.	France	1,188	1.38	1.69	1.65	0.63	0.88	0.68	7.53	10.52	8.78		4.91%	4.98%	10.29%	10.30%	10.74%
Vychodoceska Plynacenska a.s.	Czech Republic	182															
PGE Polska Grupa Energetyczna S.A.	Poland	10,962	1.40	1.20	1.12	1.92	2.07	1.95	5.25	5.81	5.40		5.80%	6.98%		9.40%	10.09%
Photonike S.A.	Belgium	16															
Tauron Polska Energia S.A.	Poland	2,982		0.81	0.75		0.80	0.75		4.29	4.09		3.78%	4.41%		6.82%	7.38%
Yinggao Holdings PLC	Great-Britain	48															
Aksa Enerji Uretim A.S.	Turkey	1,487		4.02	3.45		2.85	1.75		21.35	11.45		4.41%	5.74%			21.41%
Energie Europe Service S.A.	France	27															
Kea Petroleum PLC	Great-Britain	86		1.02													
Nopal AD	Serbia	0															
Poltavahimmash	Ukraine					0.44						-4.42%					
		Average	1.4 x	1.6 x	1.5 x	0.7 x	0.6 x	0.6 x	6.7 x	6.3 x	5.9 x	0.1 x	6.04%	5.76%	11.71%	14.51%	13.20%

Source: FactSet

Commodities sector																	
Company	Country	Market Cap. (EURm)	Price/Book			Market capitalization/Sales			Ev/EBIDTA			Return on assets (ROA)			Return on equity (ROE)		
			2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
European Nickel PLC	Great-Britain	64		0.22	0.35							-9.41%	-7.73%	-2.24%			-3.43%
Gruppo Minerali Maffei S.p.A.	Italy	26															
Minco PLC	Ireland	20															
Boliden AB	Sweden	4,346	1.44	2.00	1.76	0.95	1.05	0.97	7.15	6.49	5.37	6.54%	9.86%	10.86%	13.36%	22.08%	21.43%
Griffin Mining Ltd.	Great-Britain	142	0.84			6.17	3.38	2.81				-0.48%			-0.55%		
Xstrata PLC	Great-Britain	54,692	1.66	1.86	1.65	2.46	2.42	2.09	9.79	7.67	5.52	3.54%	8.15%	10.58%	7.32%	14.91%	18.68%
China Technology Development Group Corp.	China	44															
Frontier Mining Ltd.	Great-Britain	156		39.48			16.20	4.21		106.02	7.62						
GoldStone Resources Ltd.	Great-Britain	17															
Halogen Holdings S.A.	Luxembourg																
European Nickel	Great-Britain	44															
Boliden AB	Sweden	2,876	1.44	1.41	1.25												
Griffin Mining Ltd.	Great-Britain	93	0.84	0.95	0.86												
Xstrata Plc	Switzerland	40,604	1.66	1.62	1.42												
		Average	1.3 x	10.9 x	1.3 x	3.2 x	5.8 x	2.5 x	8.5 x	40.1 x	6.2 x	0.0 x	3.43%	6.40%	6.71%	18.50%	12.22%

Source: FactSet

Postal services																	
Company	Country	Market Cap. (EURm)	Price/Book			Market capitalization/Sales			Ev/EBIDTA			Return on assets (ROA)			Return on equity (ROE)		
			2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
A Toute Vitesse S.A.	France	3															
CargoLifter AG	Germany	3															
Deutsche Post AG	Germany	16,098	1.90	1.62	1.58	0.35	0.30	0.30	6.51	5.16	4.89	2.37%	6.26%	4.08%	10.20%	17.83%	15.07%
DLO Deutsche Logistik Outsourcing AG	Germany	0															
Financiere de l'Odet S.A.	France	2,068															
Oesterreichische Post AG	Austria	1,630	1.93	2.53	2.43	0.55	0.71	0.70	4.75	5.90	5.62	6.02%	6.10%	6.41%	17.03%	16.80%	16.98%
Pekaes S.A.	Poland	79															
UK Mail Group PLC	Great-Britain	200	3.11	3.05	2.72	0.45	0.45	0.42	7.05	6.23	5.51			9.86%	21.47%	23.74%	23.44%
		Average	2.3 x	2.4 x	2.2 x	0.4 x	0.5 x	0.5 x	6.1 x	5.8 x	5.3 x	4.20%	6.18%	6.79%	16.23%	19.46%	18.50%

Source: FactSet

### Appendix 3 - FP's Financial Statements

Balance Sheet (RONm)	2007	2008	2009
<b>Equity instruments</b>	<b>13,416.18</b>	<b>9,005.48</b>	<b>9,541.98</b>
<b>Cash and bank deposits</b>	<b>594.22</b>	<b>580.22</b>	<b>2,169.31</b>
Cash	0.49	1.50	1.48
Bank deposits	593.73	578.72	2,167.82
<b>Receivables</b>	<b>133.24</b>	<b>775.60</b>	<b>556.67</b>
Dividends receivable	4.22	0.50	0.02
Share capital subscribed and not paid	129.01	78.32	14.47
Deferred income tax receivables	<b>0.00</b>	<b>696.78</b>	<b>542.18</b>
<b>Treasury bills</b>	<b>0.00</b>	<b>397.65</b>	<b>0.00</b>
<b>Other assets</b>	<b>0.86</b>	<b>1.94</b>	<b>0.70</b>
<b>Current assets + Other assets</b>	<b>728.32</b>	<b>1,755.41</b>	<b>2,726.68</b>
<b>Total assets</b>	<b>14,144.50</b>	<b>10,760.88</b>	<b>12,268.66</b>
Deferred income tax liabilities	17.31	0.00	0.00
Other liabilities	4.89	11.14	8.30
<b>Total liabilities</b>	<b>22.20</b>	<b>11.14</b>	<b>8.30</b>
<b>Social capital</b>	<b>13,757.59</b>	<b>13,757.59</b>	<b>13,757.59</b>
Fair value reserve for financial assets available for sale	528.03	50.00	859.56
Other reserves	38.24	149.46	199.45
Reported resut	(201.56)	(3,207.31)	(2,556.25)
<b>Total Equity</b>	<b>14,122.30</b>	<b>10,749.74</b>	<b>12,260.35</b>
<b>Total equity + liabilities</b>	<b>14,144.50</b>	<b>10,760.88</b>	<b>12,268.66</b>

Source: FP IFRS Audited Individual Financial Statements

Profit and Loss Account (RONm)	2007	2008	2009
Gross revenues from dividends	227.64	422.83	120.06
Interest revenues	28.01	84.45	142.47
Loss from depreciation of equity instruments	(243.51)	(3,892.09)	(1.46)
Loss from depreciation of dividends receivable	(38.38)	9.43	0.00
Profit/Loss from equity instruments sold	32.40	0.00	554.43
Net income from FX	17.99	19.53	14.73
<b>Profit/Loss from investment operations</b>	<b>24.15</b>	<b>(3,355.85)</b>	<b>830.23</b>
Personnel expenses	(2.38)	(6.61)	(13.51)
Other operational expenses	(3.16)	(11.74)	(9.33)
Operational expenses	(5.54)	(18.34)	(22.84)
<b>EBIT</b>	<b>18.60</b>	<b>(3,374.19)</b>	<b>807.40</b>
Income tax	3.12	569.66	(106.35)
<b>Net profit</b>	<b>21.72</b>	<b>(2,804.53)</b>	<b>701.05</b>

Source: FP IFRS Audited Individual Financial Statements

Cash Flow Statement (RONm)	2007	2008	2009
Cashed dividends (net of tax)	206.24	395.90	118.65
Matured bank deposits due for more than 3 months	80.99	0.00	0.00
Cashed interest	28.81	71.26	139.63
Profit from FX corresponding to cash and cash equivalents	15.66	12.94	9.73
Cash collection from equity instruments sold	0.00	0.00	980.24
Cash participations to equity instruments	(41.24)	(49.85)	0.00
Payment of suppliers	(2.72)	(8.76)	(10.92)
Payment of salaries and assooiated contributions	(2.27)	(6.43)	(11.53)
Payment of income tax	(1.13)	(12.99)	(104.97)
New bank deposits due for more than 3 months	0.00	(92.25)	(1279.52)
T-Bills purchases	0.00	(390.46)	0.00
T-Bills redemption	0.00	0.00	390.46
<b>Total operating cash-flow</b>	<b>284.35</b>	<b>(80.63)</b>	<b>231.75</b>
Tangible fixed assets purchased	(0.68)	(0.39)	(0.02)
Cash collected from tangible fixed assets sold	0.03	0.02	0.02
<b>Total investing cash-flow</b>	<b>(0.65)</b>	<b>(0.37)</b>	<b>(0.01)</b>
Cash contributions to social capital	28.05	50.07	63.85
Dividends paid	(35.47)	(87.91)	(1.06)
Short term loans from the Economy and Finance Ministry	0.00	0.00	0.00
<b>Total financing cash flow</b>	<b>(7.41)</b>	<b>(37.85)</b>	<b>62.79</b>
<b>Net change in cash and cash equivalents</b>	<b>276.28</b>	<b>(118.85)</b>	<b>294.53</b>
Cash and cash equivalents balance at the beginning of the year	313.56	592.17	474.33
FX change effects on cash and cash equivalents denominated in FX	2.33	1.01	(0.02)
Cash and cash equivalents balance at the end of the year	592.17	474.33	768.85

Source: FP IFRS Audited Individual Financial Statements

# Petrom

## Sector: Oil&Gas

### Listed/Buy

Price (as of 12 Jan'11) 12m TP

**RON 0.3580** **RON 0.4279**

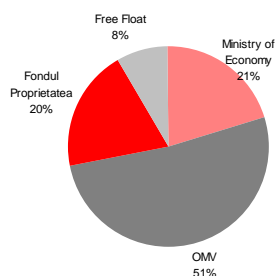
### Last Recommendation

**BUY (TP: RON 0.38)**

Fair Value of FP's stake **RON 4,076m**

% Fair NAV **29.61%**

### Shareholders



Source: Prospectus, BRD-GSG

### Company Description

OMV Petrom is leading oil&gas player in SEE, having a high degree of physical integration. The company owns 823mn boe proved reserves.

### Similar Companies

#### Domestic market

Oil refinery: Rompetrol

Gas production: Romgaz (51%), Wintershall Medias, Amromco, Toreador, Aurelian Oil&Gas

#### External market

OMV AG, PKN Orlen, MOL, Unipetrol

### Operational Data

It secures 99% of Romanian oil production and 50% of gas production. The company plans to enter on energy market, as it will finalize the construction of power gas plant with an installed capacity of 860MW net; Dorobantu wind park with a designated capacity of 45MW.

It owns two refineries Petrobrazi and Arpechim (for which it expressed intention to sell it). OMV Petrom Group operates 814 filling stations (2009) and has a 40% market share in Romania.

### Business Overview

- OMV Petrom (formerly Petrom by the end of January 2010) is leading player on CEE oil&gas market. The company has E&P, Refining&Marketing and Gas activities with the expressed intention to become also an energy player starting with 2011.
- The company owns exploration licenses for 15 onshore and 2 offshore blocks and 256 production licenses oil and gas field in Romania. Also, it holds exploration and production rights in Kazakhstan (Komsomolskoe, Kultuk fields) and operates 9,100 oil&gas production wells and 7 offshore production platforms in Black Sea. The current recovery factor in oil resources is 25% and 49% in gas resources, respectively, according to company's data.
- Reserve replacement ratio (RRR) increased from 11% in 2004 to 70% in 2009.
- It operates more than 800 filling stations. At Petrom Group level, the annual throughput per filling station is 4.9mn l in 2009.

### Key drivers

- Main catalysts of the stock are the convergences of gas domestic price to the international levels and positive results from entering on energy market.
- Restructuring process and terminals modernization process.
- The Romanian state is going to launch and SPO for 9.84% of Petrom.
- Operation of gas power plant which should increase gas value chain starting 2011 and entrance on energy market. Petrom targets 10% electricity market starting 2012.

### Key risks

- Weak economic activity associated with depressed demand for oil products.
- Revival of industry costs;
- High oil price volatility;
- Adverse USDRON evolution;
- Delays in E&P segment investments, lower performance of oil fields than initially estimated, natural decline of domestic production;
- Poor cracks for oil products,
- Last but not least, it is worth mentioning factors that influence crude oil price on international markets, such as: available refining capacities, crude inventories level, OPEC decisions regarding production level, volumes of speculative trading on oil markets.

### Financial Highlights

- 9M10 IFRS results showed that company's net turnover rose by 11% yoy to RON 13.16bn, Group EBIT went up 41% yoy to RON 2.01bn, whilst net profit reached RON 1.41bn (+46% yoy) thanks to good results posted in H1' 10. Group's clean EBIT increased to RON 2.354bn (+84% yoy) after the elimination of net special expenses worth RON 440m and inventory holding gains in amount of RON 98m.
- 2009 RAS net profit reached RON 1.367bn (up 34% yoy) above the RON 1.1bn target settled in 2009 company's revenues and expenses budget. EBIT came lower by 9% yoy to RON 1.197bn, whilst net turnover worth RON 12.84bn (-23% yoy).



## Peers' Multiples

Compania	Country	Price(EUR)	Mk Cap(EURm)	P/E'10	P/E'11	P/E'12	EV/EBITDA'10	EV/EBITDA'11	EV/EBITDA'12	EV/EBIT'09	EV/EBIT'10	EV/EBIT'11	EV/EBIT'12
MOL Hungarian Oil and Gas Plc	Hungary	78.80	8,396	12.35	9.69	7.80	5.46	4.84	4.26	14.85	10.11	8.58	6.85
Polskie Gornictwo Naftowe i Gazownictwo S.A.	Poland	0.89	5,442	11.90	10.53	9.06	5.96	5.58	5.04	22.16	10.09	9.56	8.20
Compania Espanola de Petroleos S.A.	Spain	19.99	5,137	10.68	10.92	8.70	4.44	4.35	4.04	14.47	8.23	7.36	6.59
Unipetrol A.S.	Czech Republic	7.91	1,462	27.21	19.23	14.28	6.53	5.82	5.23		17.07	12.85	10.47
Hellenic Petroleum S.A.	Greece	5.82	1,806	10.13	8.39	5.44	7.96	7.92	5.62	11.66	11.49	11.58	7.54
OMV AG	Austria	31.29	9,460	7.84	6.55	6.12	3.38	3.01	2.83	7.63	4.97	4.24	3.86
PKN ORLEN S.A.	Poland	12.30	5,295	12.07	12.31	10.00	6.27	5.99	5.33	37.30	14.03	12.45	10.13
OMV Petrom S.A.	Romania	0.09	4,767	8.62	7.99	6.84	4.13	4.06	3.32	9.95	7.68	7.30	7.30
Media				13.17	11.09	8.77	5.71	5.36	4.62	18.01	10.86	9.52	7.66
Discount/premium				-34.6%	-28.0%	-22.0%	-27.8%	-24.2%	-28.2%	-44.8%	-29.3%	-23.3%	-4.7%

Source: FactSet

## Key Financial Data&Ratios

	2007	2008	2009	2010	2011
<b>Balance Sheet (RONm)</b>					
Total non-current assets	18,122.2	25,227.6	26,822.1	27,954.0	28,582.9
o/w tangible assets	15,113.6	19,167.7	21,430.6	23,049.5	24,119.4
Cash and current accounts	1,340.6	572.5	384.0	1,878.82	3,127.90
<b>Total assets</b>	<b>24,425.7</b>	<b>29,425.4</b>	<b>30,526.6</b>	<b>34,331.5</b>	<b>35,963.9</b>
Equity	15,688.3	15,989.8	16,190.8	18,796.3	20,584.5
Total debt	213.7	608.5	2,997.5	4,108.0	3,789.4
<b>Working capital</b>	<b>1,536.9</b>	<b>1,305.1</b>	<b>1,132.4</b>	<b>1,838.7</b>	<b>1,444.5</b>
<b>Net debt(+)/cash(-)</b>	<b>(1,127)</b>	<b>(26)</b>	<b>2,553</b>	<b>2,229</b>	<b>662</b>
<b>Income Statement (RONm)</b>					
Sales	12,148.2	20,127.4	16,089.7	16,999.2	18,070.1
EBITDA	2,908.9	2,708.5	3,498.2	6,124.3	7,040.0
Depreciation&amortization expenses	(1,008.3)	(1,503.5)	(1,877.7)	(2,875.4)	(3,218.2)
<b>Operating profit/loss(EBIT)</b>	<b>1,900.6</b>	<b>1,204.9</b>	<b>1,620.5</b>	<b>3,248.9</b>	<b>3,821.8</b>
Financial result	0.0	(76.1)	(451.1)	(403.3)	(475.8)
<b>Net income</b>	<b>1,900.6</b>	<b>895.6</b>	<b>833.3</b>	<b>2,333.4</b>	<b>2,743.7</b>
<b>Indicator per share (RON/share)</b>					
Sales	0.214	0.355	0.284	0.300	0.319
EPS	0.034	0.016	0.015	0.041	0.048
BV	0.277	0.282	0.286	0.332	0.363
<b>Valuation Ratios*(x)</b>					
P/E	16.09	24.03	14.96	8.69	6.77
P/BV	1.95	1.35	0.77	1.08	0.90
EV/EBITDA	10.13	7.94	4.29	3.68	2.73
EV/EBIT	15.50	17.84	9.27	6.93	5.03
<b>Ratios</b>					
Sales growth	nav	65.7%	-20.1%	5.7%	6.3%
Net profit growth	nav	-52.9%	-7%	180.0%	18%
Total assets growth	na	20.5%	3.7%	12.5%	4.8%
EBITDA margin	23.9%	13.5%	21.7%	36.0%	39.0%
EBIT margin	15.6%	6.0%	10.1%	19.1%	21.2%
Net income margin	15.6%	4.4%	5.2%	13.7%	15.2%
Interest coverage (x)	na	nm	nm	6.26	8.03
Net debt/equity (x)	-7.2%	-0.2%	15.8%	11.9%	3.2%
ROE	12.1%	5.6%	5.1%	12.4%	13.3%
ROIC	9.8%	6.1%	7.0%	11.6%	12.9%

\* Average closing price for 2007-2009, closing price as of January 12th for 2010-2011

Source: BRD-GSG

# Energy Sector

## POLITICAL

- The players on energy market are: energy producers, electricity transporter (i.e.: Transelectrica), distributors and suppliers. The current structure of the domestic energy market is presented in the figures on the next page (*Fig.1, Fig.2, Fig.3*). The tariffs for the regulated part of the market are set by The Romanian Energy Regulatory Authority (ANRE), playing a key role in setting up: the prices and quantities for producers using a real return (max. 9%) on regulated assets base (RAB) of the producers; the tariffs for transportation using “revenue-cap” methodology on Transelectrica’s agreed RAB; tariffs for distributors using “tariff basket cap” methodology through which they are allowed to earn an established rate of return (i.e.: 10% for private-owned distributors and 7% for state-owned distributors) on their RAB. The prices on the retail regulated segment (captive consumers), used by incumbent suppliers, are set up by ANRE using regulated real return of 2.5% on the costs related to energy supply including energy acquisition cost, distribution, transmission, system services and settlement costs.
- Political willingness to restructure the energy sector once again such as to create two integrated energy champions Electra and Hidroenergetica will have an impact on energy market development, as we have already mentioned within the report. There are a lot of cons opinions as regards this restructuring, because the competition on the energy market might be hampered by the dominance positions of such companies as well as their performance.
- Government’s actions to support green energy production through financial support to producers for the modernization of hydro plants units (the largest electricity generators in Romania) and/or through larger trades of green certificates on the competitive market. Moreover, Government’s strategy for modernization/closing of coal units is very important for the future development of domestic energy market, because these units own the largest part of the installed capacity (aprox. 36%), have low efficiency, have high air pollution effects and obsolete technology.
- Thus, compliance with EU environmental standards by end of 2012 is challenging, mainly for coal units producers, in terms of targets to be reached, investments and financial resources. The projects should be co-financed by EU funds but also by the companies running the projects.
- In 2001, Electrica was split in eight companies providing distribution and supply services at the same time. Five of them were privatized by the state, but it still owns other three for which no decision has been made yet by the Government. In 2007, Romania had to comply with the EU unbundling directives, being necessary that distribution and supply activities to be separated.

## ECONOMICAL

- Romania has one of the highest gross in land consumption per GDP (highest energy intensity of economy) in EU (almost 4 times higher than Euro area in 2008), being an energy-intensive economy. Thus, an increasing efficiency is required for all the sectors of economy, targeting also to reduce own technological consumption. Given the latest small gains in terms of efficiency, an economic rebound will not unconditionally translate into higher electricity consumption.
- The bilateral contracts are concluded between electricity producers and the suppliers of captive consumers (mainly individuals), being part of the wholesale market. The volume traded on regulated bilateral contracts market was aprox. 30.33 TWh (+4% yoy), accounting for 60.8% of domestic consumption in 2009. The average price settled on this segment was 164.44 RON/MWh (+4% yoy) for 2009, higher by 3.6% than the average price of the negotiated bilateral contracts market (the energy traded on this segment accounts for 69.3% of domestic consumption in 2009).
- The settlement of the prices based on economic principles for some of negotiated bilateral contracts might have a positive impact on some of producers’ performance.
- Romania is very close to meet its target of green energy, thanks to its electricity produced by hydro plants. The modernization of these hydro units along with increasing capacity of nuclear unit should bring overall production costs down, offsetting to some extent higher energy cost of coal units. Also, a significant influence for the domestic energy market will have the extent to which the wind energy potential of Romania estimated at 14 GW (the highest in SEE) will be exploited. It is estimated that domestic wind energy might reach 23.000 GWh/year.

## SOCIAL

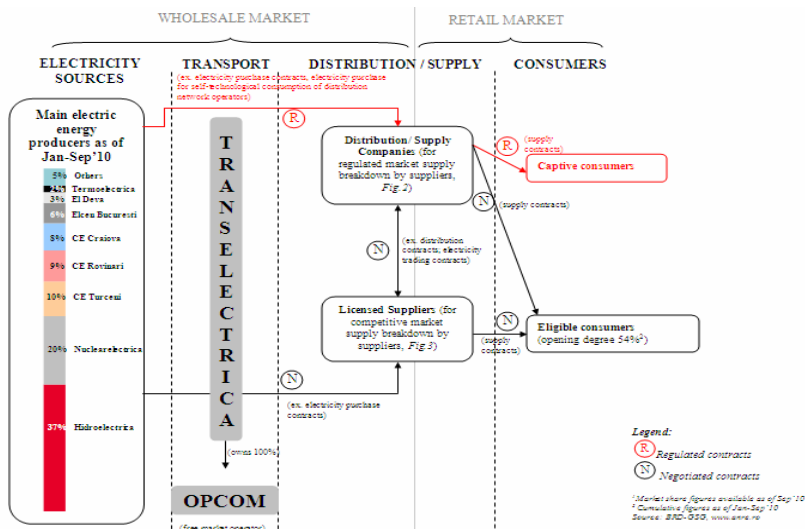
- In 2009 the electricity producers sold aprox. 53% of their production mainly on regulated wholesale market, whilst aprox. 55.4% transferred on retail market was on its regulated segment.
- ANRE sets different tariffs for captive consumers classified as corporations and households. In setting these tariffs, ANRE should take into consideration that on retail electricity market, 93.4% of total consumers (8.83m as of end-2009) are households. The average price paid by non-households on competitive market increased by 7.8% yoy in 2009 at RON 241.91/MWh (lower than 15.9% yoy increase in 2008), whilst for households on competitive market the tariffs were kept unchanged in 2009 and 2008.
- The electricity supplied to captive consumers accounted for 23.05 GWh (-2% yoy) out of the total electricity supplied of 41.58 GWh (-9% yoy) in 2009. The electricity supplied to eligible consumers on competitive market declined with a higher rate, 17% yoy, down to 18.54 GWh.

## TECHNOLOGICAL

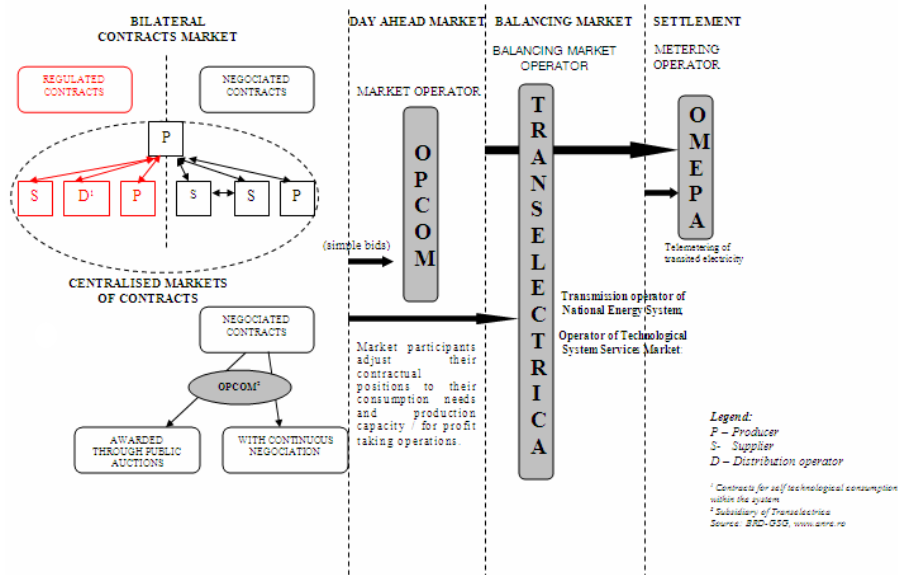
- Energy production units were put in use over 20 years ago, a large part being obsolete, mainly coal units.

# Energy market structure

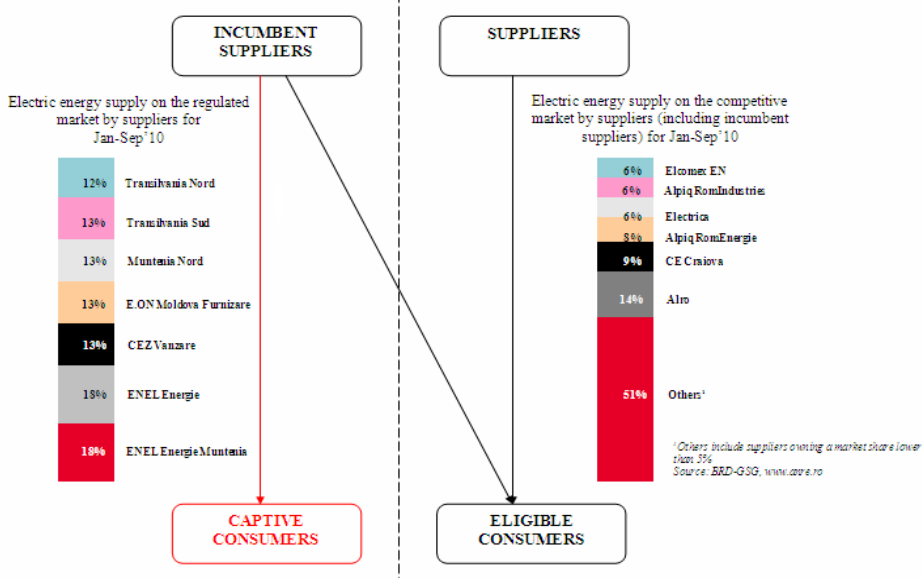
Romanian Energy Market- General Overview<sup>1</sup> (Fig.1)



Wholesale Electricity Market (deals are concluded between electric energy Producers and authorized Suppliers) (Fig.2)

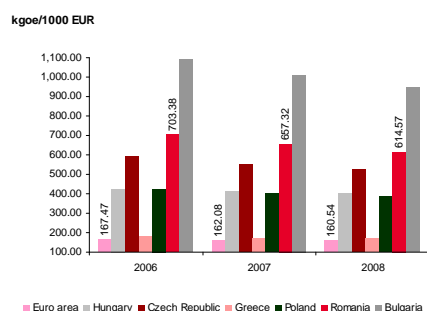


Retail Electricity Market (deals are concluded between authorized Suppliers and Eligible/Captive Consumers) (Fig.3)



# Energy market anatomy

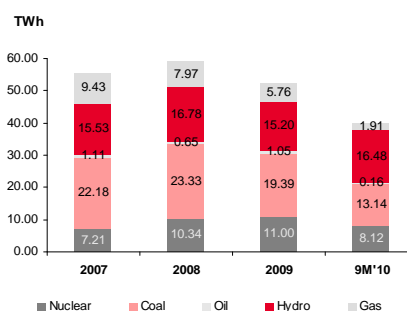
## Energy intensity of the economy



Romania's economy is energy-intensive compared to its peers.

Source: Eurostat, BRD-GSG

## Electricity delivered by primary source in

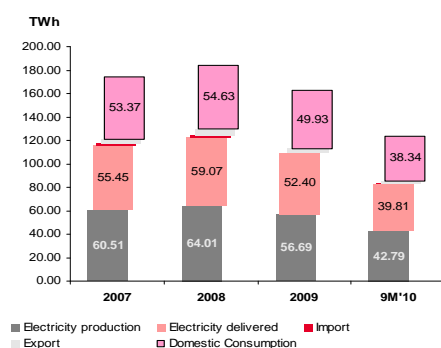


## Romania

29% of 2009 electricity distributed, 52.4 TWh (-11.3% yoy) was generated by hydro plants.

Source: ANRE reports, BRD-GSG

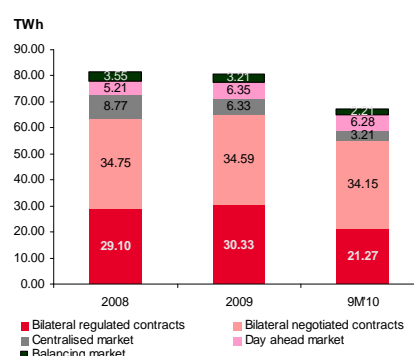
## Electricity market evolution (TWh)



Electricity delivered (-11.3% yoy) and electricity domestic consumption (-8.6% yoy) declined in 2009 along with economic recession. However, for 9M'10, electricity delivered and domestic consumption went up slightly 2.4% yoy and 4.3% yoy respectively, in spite of a GDP decline of 1.9% yoy.

Source: ANRE reports, BRD-GSG

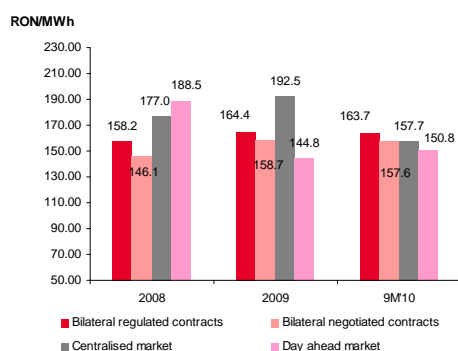
## Trades on wholesale electricity market



The largest volume of electricity is traded on bilateral negotiated contracts market characterised by long-term agreements.

Source: ANRE reports, BRD-GSG

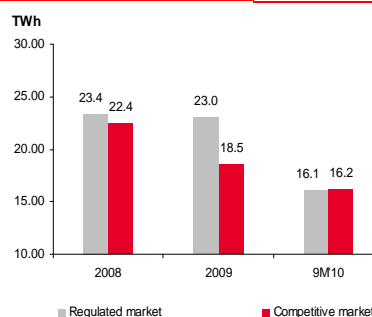
## Price evolution on wholesale market



The prices of bilateral negotiated contracts are converging towards the prices on centralised market of contracts.

Source: ANRE reports, BRD-GSG

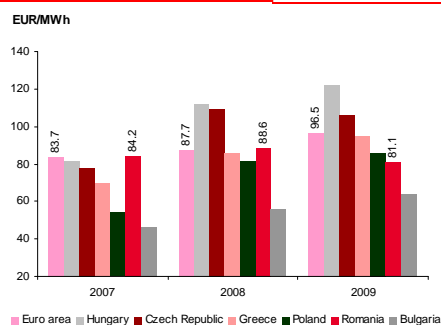
## Retail electricity market (end-consumers)



Still the largest part of end-consumers is active on regulated market.

Source: ANRE reports, BRD-GSG

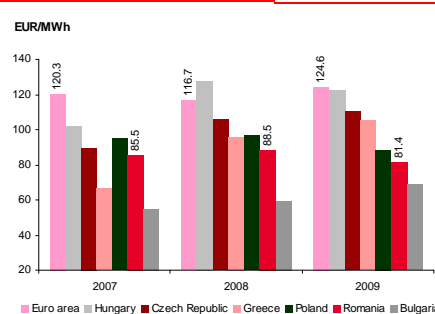
## Prices for industrial consumers (EUR/MWh)



2009 electricity prices for industrial consumers in Romania were 16.5% lower than the Euro area average.

Source: Eurostat, BRD-GSG

## Prices for household consumers (EUR/MWh)



2009 electricity prices for household consumers in Romania were 35.2% lower than Euro area average. However, there is a smaller gap between prices for industrial consumers and prices for household consumers in Romania compared with Euro area.

Source: Eurostat, BRD-GSG

# HIDROELECTRICA

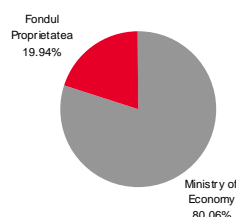
## Sector: Electricity Generation

### Not Listed

**Fair Value of FP's stake** **RON 1,557.06m**

**% Fair NAV** **11.31%**

### Shareholders



Source: Prospectus, BRD-GSG

### Company Description

Hidroelectrica produces electricity using hydro resources and sells it to the market, owning over 250 hydropower plants and pumping stations. In 2009, 27% of total electricity was generated by Hidroelectrica. For the first 9M'10, Hidroelectrica held 37% of the electricity delivered national wide.

### Similar Companies

#### Domestic market

Small hydro power plants

#### External market

Verbund, Rushydro, Tauron

### Operational Data

Hidroelectrica is the largest electricity producer in Romania. It has an installed capacity of 6.42 GW, almost 31% of total electricity capacity in Romania (aprox. 20.4 GW in 2009). In 2009 it generated 15,513 GWh (-8.8% yoy) accounting for aprox.27% of total electricity produced by the country, 56,693 GWh (-11.4% yoy).

The production for an average hydrologic year is 17,440 GWh. Portile de Fier I has the largest installed capacity 1.05 GW(16.4% of the total) which is able to generate aprox.33% of total electricity produced by the company.

### Business Overview

- ✓ Hidroelectrica is a result of two companies' reorganization process run by the Government in energy sector, such as: RENEL in 1998 and CONEL in 2000, respectively.
- ✓ In 2009 Hidroelectrica sold 18,295 GWh (-5.51% yoy), out of which 11,645 GWh (-6.1% yoy) were sold on competitive market (eligible consumers and licensed suppliers) and 3,880 GWh (+1.7% yoy) on regulated market. The competitive market is the main market for Hidroelectrica's electricity. In 2009, the competitive market accounted for 59.7% of electricity sold revenues, namely RON 1.197bn (-2.6% yoy).
- ✓ 2009 average estimated price for the competitive market is aprox. RON 102.75/MWh (+3.7% yoy), 37% lower than the price derived for electricity exported and roughly 35% lower than the average price of electricity sold within negotiated contracts, indicated by ANRE annual report.
- ✓ Main clients of the company on the competitive market are: Alro (aprox. 3 TWh/year for 2010-2018 at a price of EUR 30-40 MWh, according to local newsflow), Energy Holding, EFT, Electromagnetica, Arcelor Mittal (1.75 TWh for 2011 at an average price of 130 RON/MWh, according to local newsflow). On the regulated market, Hidroelectrica is selling electricity to E.ON Moldova Furnizare, Enel Energie, Enel Energie Muntenia.

### Key drivers

- ✓ Higher price for its electricity, especially for the one sold within bilateral contracts negotiated with its partners on long-run, as Hidroelectrica has the lowest prices among the electricity generators.
- ✓ Future investments to increase capacity and/or to modernize its units will help the company to improve its efficiency and costs base. The company plans to increase its installed capacity by 319.3 MW for 2010-2015, leading to an increase by 1,400 GWh of electricity production for an average hydrological year. Also, the company intends to refurbish units summing 3,417 MW by 2016 that will bring additional 333 GWh per year. The costs are estimated at EUR 1bn, according to the Prospectus.
- ✓ Significant CAPEX will require external financial resources, but the company has a very low leverage (8.8% in 2009). However, higher depreciation expenses will hamper company's bottom line.
- ✓ Acceleration of privatization process. The privatization process started in 2004 referring to selling 150 small power plants. By August 2009, 87 of these units were sold, according to the data presented within the Annexes of the Prospectus.

### Key risks

- ✓ Risks for lower revenues might stem from lower production due to: decline of the water reserves held by the largest reservoirs (i.e.: in 2008 the reserves declined by 32.1% yoy, namely 647GWh, to 1,368 GWh); adverse weather conditions (i.e.: drought seasons); closing of some hydropower plants for revamping.
- ✓ Failure to negotiate higher prices with its main clients due to Government's involvement in running the company.
- ✓ Decline of the electricity demand that might continue due to prolonged recession.

### Financial highlights

- ✓ 2009 brought a slight decline of company's sales (-0.9% yoy) after an increase of 18.6% yoy in 2008. The 5.5% yoy decrease in electricity sold in 2009 was to a large extent offset by higher prices for competitive market (aprox. +3.7% yoy) and for regulated market (aprox. 14.7% yoy). In terms of margins, higher investments will impact negatively on EBIT margin, which stood at 6.7% in 2009 down from 8.5% in 2008. Bottom line declined by 25.7% yoy to RON 48.38m, mainly as EBIT decrease of 21.6% yoy to RON 161.96m.

## Comparables' Operational Data

MW (hydro capacity)		GWh (hydro production)	
Installed capacity /company	2009	Electricity production/company	2009
Rushydro	25,426	Rushydro	81,607
Verbund	6,900	Verbund	4,120
Tauron	5,400	Tauron	18,200
Aes Tiete	2,651	Aes Tiete	14,558

Source: Companies' websites, BRD-GSG

Company	Implied 2009 EV (EURm), based on			Implied 2009 EV / Installed capacity (EUR/MW), based on		
	P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
Hidroelectrica	4,612.51	1,061.80	896.99	720,705.11	165,906.76	140,153.97

Source: Companies' websites, BRD-GSG

Company	EV(Mn EUR)
Verbund	12,873.90
Tauron	2,980.21

Source: Companies' websites, FactSet, BRD-GSG

## Key Financial Data&Ratios

	2007	2008	2009
<b>Balance Sheet (RONm)</b>			
Long term assets	18,921.84	19,337.86	22,601.97
Current assets, o/w	540.23	608.32	387.30
Cash and current accounts	118.05	128.70	28.14
<b>Total assets</b>	<b>19,471.97</b>	<b>19,946.95</b>	<b>22,989.89</b>
Equity	13,891.10	13,951.18	16,554.59
Long term liabilities, o/w	4,111.91	4,026.13	4,385.01
Long term financial debt	556.71	453.12	804.00
Short term liabilities, o/w	1,210.45	1,708.11	1,795.64
Short term financial debt	455.67	567.82	677.01
<b>Total Equity &amp; Liabilities</b>	<b>19,213.46</b>	<b>19,685.42</b>	<b>22,735.24</b>
<b>Working capital</b>	<b>-670.22</b>	<b>-1,099.79</b>	<b>-1,408.34</b>
<b>Net debt(+)/cash(-)</b>	<b>894.33</b>	<b>892.24</b>	<b>1,452.87</b>

<b>Income Statement (RONm)</b>			
Sales	2,060.74	2,443.55	2,420.80
Operating expenses, o/w	1,943.81	2,401.62	2,304.23
Depreciation&amortization expenses	674.77	643.23	654.87
EBITDA	841.60	787.37	836.41
<b>Operating profit/loss(EBIT)</b>	<b>142.66</b>	<b>206.59</b>	<b>161.96</b>
Interest expenses	52.68	74.90	69.13
<b>Net income</b>	<b>52.58</b>	<b>65.12</b>	<b>48.38</b>

<b>Indicator per share (RON/share)</b>			
Sales	4.65	5.51	5.45
EPS	0.11	0.15	0.10
BV	31.35	31.48	37.30

<b>Valuation Ratios(x)</b>			
P/E	na	na	na
P/BV	na	na	na
EV/EBITDA	na	na	na
EV/EBIT	na	na	na

<b>Ratios</b>			
Sales growth	na	18.6%	-0.9%
Net profit growth	na	23.8%	-25.7%
Total assets growth	na	2.4%	15.3%
EBITDA margin	40.8%	32.2%	34.6%
EBIT margin	6.9%	8.5%	6.7%
Net income margin	2.6%	2.7%	2.0%
Interest coverage (x)	2.71	2.76	2.34
Net debt/equity (x)	0.06	0.06	0.09
ROE	0.4%	0.5%	0.3%
ROA	0.3%	0.3%	0.2%

Source: Prospectus, BRD-GSG



# NUCLEARELECTRICA

## Sector: Electricity Generation

### Not Listed

**Fair Value of FP's stake** **RON 768.74m**  
**% Fair NAV** **5.58%**

### Shareholders



Source: Prospectus, BRD-GSG

### Company Description

Nuclearelectrica is an electricity generator using nuclear technology. The company has two subsidiaries: Nuclearelectrica Power Plant Cernavoda, which operates the two units producing nuclear electricity and Nuclear Fuel Production Plant Pitesti producing CANDU 6 Nuclear Fuel for the two units.

### Similar Companies

#### Domestic market

nav

#### External market

Iberdrola, CEZ, RWE

### Operational Data

The company owns two nuclear units with an installed capacity of 707MW each, representing 6.9% of total installed capacity in Romania (20.4GW). The capacity utilization ratio was over 90% for both units in 2009.

### Business Overview

- ✓ Nuclearelectrica was incorporated in 1998 as a result of the reorganization of RENEL.
- ✓ In 2009, total domestic electricity production amounted to 56.7 TWh (-11% yoy), out of which 20.5% of the total electricity produced stem from Nuclearelectrica unit plants in amount of 11.75 TWh (+4.72% yoy). For 9M'10, total electricity production went up 2% yoy to 42.79 TW, out of which 19.6% came from Nuclearelectrica.
- ✓ Nuclearelectrica delivered aprox. 21% of the total electricity delivered in 2009 (20% for 9M'10). In 2009, 67% of the electricity produced by the plants was sold on the regulated market to 15 regional distributors and suppliers according to provisions of long-term contracts. Around 30% is sold on the competitive market, where the average price was aprox. 20% higher in 2009, according to ANRE data.

### Key drivers

- ✓ A key driver will be the materialization of capacity expansion. The company aims to expand its capacity by 2015, planning to construct two new unit plants with an installed capacity of 720 MW each. The estimated cost of the project is aprox. EUR 4bn. In 2008, Nuclearelectrica founded EnergoNuclear, a company which is going to construct and operate the other two nuclear units. Nuclearelectrica owns 51% of the company, and the remaining shares were sold to CEZ (in September 2010 announced it wants to exit the company), GDF Suez, Enel Itlay, RWE Germany owning a stake of 9.15%, and Iberdrola and Arcelor Mittal Romania with a 6.2% stake each.
- ✓ The listing of a stake owned by the state in Nuclearelectrica or in one of the two energy giants is seen as a trigger for the company.
- ✓ Better electricity prices should be translated in higher sales for the company.

### Key risks

- ✓ Government's arbitrary decisions that might jeopardize other shareholders interests.
- ✓ Significant level of investments required to meet envisaged EU quality and environmental standards might raise financial needs for the company, in spite that some of them might be financed by EU funds. According to the Prospectus, the company estimates investments worth RON 1.2 bn for 2010-2014, out of which RON 360m are set for environmental investments.

### Financial highlights

- ✓ Nuclearelectrica sales went up by 5.2% yoy to RON 1.53bn in 2009, well below the growth rate posted in 2008 (+59.6% yoy), when the top line figure was strongly influenced by the start of functioning of Unit 2 (at the end of 2007). The improvement in net sales of energy was driven by a higher quantity of electricity supplied and higher electric energy prices on both regulated and competitive markets.
- ✓ However, net result for 2009 plunged by 52% yoy from RON 103m in 2008 to RON 49.36m, in spite of an almost flat EBIT of RON 325.31m. The bottom line was damaged by a higher financial loss amounting to RON 261.5m (vs. a loss of RON 196.8m in 2008) due, most probably to an increase of FX expenses by 53% yoy to RON 243.5m.

## Comparables' Operational Data

MW (nuclear capacity)	
Installed capacity/company	2009
Iberdrola	3,344
CEZ	3,760

Source: Companies' websites, BRD-GSG

GWh (nuclear production)	
Electricity production/company	2009
Iberdrola	23,824
CEZ	27,205

Source: Companies' websites, BRD-GSG

## Key Financial Data&Ratios

	2007	2008	2009
<b>Balance Sheet (RONm)</b>			
Long term assets	7,761.79	8,148.96	7,953.95
Current assets, o/w	1,082.21	1,470.55	2,004.11
Cash and current accounts	180.12	394.26	494.68
<b>Total assets</b>	<b>8,850.60</b>	<b>9,626.11</b>	<b>9,963.22</b>
Equity	5,986.07	6,897.00	7,253.75
Long term liabilities, o/w	2,426.75	2,307.25	2,356.52
Long term financial debt	2,426.75	2,307.25	2,356.52
Short term liabilities, o/w	418.63	400.22	320.18
Short term financial debt	183.56	217.84	171.00
<b>Total Equity &amp; Liabilities</b>	<b>8,831.45</b>	<b>9,604.47</b>	<b>9,930.45</b>
<b>Working capital</b>	<b>663.58</b>	<b>1,070.33</b>	<b>1,683.93</b>
<b>Net debt(+)/cash(-)</b>	<b>2,430.19</b>	<b>2,130.83</b>	<b>2,032.84</b>

<b>Income Statement (RONm)</b>			
Sales	909.60	1,451.93	1,526.66
Operating expenses, o/w	762.84	1,175.24	1,286.09
Depreciation&amortization expenses	209.20	338.74	367.27
EBITDA	503.52	680.36	649.12
<b>Operating profit/loss(EBIT)</b>	<b>187.63</b>	<b>320.54</b>	<b>325.31</b>
Interest expenses	53.77	137.63	87.33
<b>Net income</b>	<b>88.67</b>	<b>103.04</b>	<b>49.36</b>

<b>Indicator per share (RON/share)</b>			
Sales	3.59	5.72	6.02
EPS	0.35	0.41	0.19
BV	23.60	27.19	28.59

<b>Valuation Ratios(x)</b>			
P/E	na	na	na
P/BV	na	na	na
EV/EBITDA	na	na	na
EV/EBIT	na	na	na

<b>Ratios</b>			
Sales growth	na	59.6%	5.1%
Net profit growth	na	16.2%	-52.1%
Total assets growth	na	8.8%	3.5%
EBITDA margin	55.4%	46.9%	42.5%
EBIT margin	20.6%	22.1%	21.3%
Net income margin	9.7%	7.1%	3.2%
Interest coverage (x)	3.49	2.33	3.73
Net debt/equity (x)	0.41	0.31	0.28
ROE	1.5%	1.5%	0.7%
ROA	1.0%	1.1%	0.5%

Source: Prospectus, BRD-GSG



# Complexul Energetic Turceni

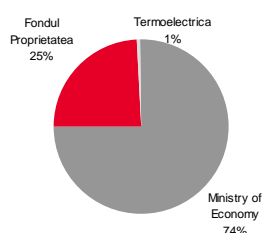
## Sector: Energy-producer

### Not listed

**Fair Value of FP's stake** **RON 423.68m**

**% Fair NAV** **3.08%**

### Shareholders



Source: Prospectus, BRD-GSG

### Company Description

- ✓ Production and sale of coal-generated energy
- ✓ Exploitation of coal mines

### Similar Companies

#### Domestic market

- CEN Craiova, CEN Rovinari, Hidroelectrică, Nuclearelectrică

#### External market

- Drax Group, RWE, CEZ

### Operational Data

The company has an installed capacity of 1980 MW and operates 6 groups of 330 MW each.

### Business Overview

- ✓ Complexul Energetic Turceni is the largest coal-generated energy producer in Romania, with a 10% market share in the overall energy market according to ANRE reports for September 2010. It currently has an installed capacity of 1980 MW. 70% of the coal used comes from own sources (Jilt Sud and Nord and Tehomir mine), while the rest stems from National Company for Lignite Extraction Oltenia (SNLO). The Turceni power station is linked to the National Transport System through 4 lines with a 400kV capacity each, and it uses energy from six 110 kV lines. The station's groups have the following nominal parameters: a boiler furnace (Babcock license, with a total flow of 1,035t/h), a steam turbine (330 MW) and synchronous generator with hydrogen cooling (330 MW). The fly and bottom ash are pneumatically transported to two storage locations with a capacity of 2m and respectively 6m cm.
- ✓ The company has a rich capex programme whose main objectives are modernisation and pollution reduction. CE Turceni will direct EUR 453m towards revamping of power groups 3 and 6, an investment which will bring important cuts in own consumption and production costs. In the same time, a large part of future spending (EUR 220m) has been allocated to the installation of flue gas desulphurisation equipment. For 2010, the company has forecasted a capex worth RON 821m, financed with a debt to equity ratio of 2:1.
- ✓ In 2009, 45% of the electricity produced was sold on the regulated market and 55% on the competitive market.

### Key drivers

- ✓ Large capital investments will bring important cost savings and an improved profitability.
- ✓ Will benefit from an expected tariff convergence with the European levels.
- ✓ The high percentage of raw material from own sources provides significant cost synergies.

### Key risks

- ✓ Short-term break in domestic consumption due to current tough environment.

### Financial Highlights

- ✓ Last year, company's operating revenues have fallen by almost 10% yoy, from RON 1,801m in 2008 to RON 1,625m in 2009, as sold volumes decreased yoy from 7,249GWh in 2008 to 6,133GWh in 2009. Electricity tariffs set by ANRE for CE Turceni increased yoy, from RON 176/MWh in 2008 to RON 183/MWh in 2009. After significant investments have been put in place, the P&L has been affected by higher depreciation and 2009 EBIT has diminished from RON 66m in 2008 to RON 30m in 2009. The company budgets total revenues in amount of RON 1,699m and a net profit worth RON 9.57m for 2010.

## Comparables' Operational Data\*

Company	EURm	MW	GWh	EURm/MW	EURm/GWh
Listed	Mcapitalization	Capacity	Production	McCap/Capacity	McCap/Production
CEZ	16,495	12,300	60,610	1.34	0.27
RWE	28,000	49,582	300,000	0.56	0.09
Drax Group	1,613	3,960	22,600	0.41	0.07
<b>Unlisted</b>					
CE Craiova	-	930	4,400	-	-
CE Turceni	-	1,980	6,392	-	-

\*Figures as of 2009

Source: Companies' websites, BRD-GSG

Company	Implied 2009 EV (EURm), based on			Implied 2009 EV / Installed capacity (EUR/MW), based on		
	P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
CE Turceni	136.66	na	63.75	59,158.10	na	27,598.94

Source: Companies' websites, BRD-GSG

## Key Financial Data&Ratios

	2007	2008	2009
<b>Balance Sheet (RONm)</b>			
Long term assets	1,480.31	2,293.38	2,326.85
Current assets, o/w	347.42	365.06	398.78
Cash and current accounts	39.78	54.55	65.11
<b>Total assets</b>	<b>1,867.51</b>	<b>2,712.99</b>	<b>2,790.74</b>
Equity	1,387.40	2,114.52	2,138.59
Long term liabilities, o/w	58.47	55.95	41.82
Long term financial debt	2.78	95.35	154.06
Short term liabilities, o/w	418.87	446.96	455.97
Short term financial debt	0.00	0.20	0.31
<b>Total Equity &amp; Liabilities</b>	<b>1,864.73</b>	<b>2,617.43</b>	<b>2,636.38</b>
<b>Working capital</b>	<b>-71.45</b>	<b>-81.90</b>	<b>-57.19</b>
<b>Net debt(+)/cash(-)</b>	<b>-37.00</b>	<b>41.01</b>	<b>89.26</b>
<b>Income Statement (RONm)</b>			
Sales	1,487.35	1,800.59	1,625.28
Operating expenses, o/w	1,272.47	1,612.59	1,386.91
Depreciation&amortization expenses	114.64	122.13	208.20
EBITDA	214.88	188.00	238.38
<b>Operating profit/loss(EBIT)</b>	<b>100.24</b>	<b>65.87</b>	<b>30.17</b>
Interest expenses	3.09	2.80	4.60
<b>Net income</b>	<b>78.33</b>	<b>19.95</b>	<b>21.28</b>
<b>Indicator per share (RON/share)</b>			
Sales	32.38	39.19	35.38
EPS	1.71	0.43	0.46
BV	30.20	46.03	46.55
<b>Valuation Ratios(x)</b>			
P/E	na	na	na
P/BV	na	na	na
EV/EBITDA	na	na	na
EV/EBIT	na	na	na
<b>Ratios</b>			
Sales growth	na	21.1%	-9.7%
Net profit growth	na	-74.5%	6.7%
Total assets growth	na	45.3%	2.9%
EBITDA margin	14.4%	10.4%	14.7%
EBIT margin	6.7%	3.7%	1.9%
Net income margin	5.3%	1.1%	1.3%
Interest coverage (x)	32.42	23.52	6.56
Net debt/equity (x)	-0.03	0.02	0.04
ROE	5.6%	0.9%	1.0%
ROA	4.2%	0.7%	0.8%

Source: Prospectus, BRD-GSG

# Complexul Energetic Craiova

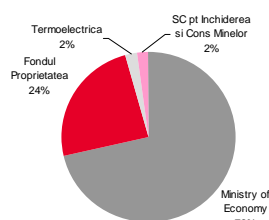
**Sector: Energy-producer**

## Not listed

**Fair Value of FP's stake** **RON 312.35m**

**% Fair NAV** **2.27%**

## Shareholders



Source: Prospectus, BRD-GSG

## Company Description

- ✓ Production and sale of coal-generated energy
- ✓ Exploitation of coal mines

## Similar Companies

### Domestic market

- CEN Turceni, CEN Rovinari, Hidroelectrica, Nuclearelectrica

### External market

- Drax Group, RWE, CEZ

## Operational Data

The company has an installed capacity of 930 MW, and operates four groups of 315 MW and 150 MW respectively.

## Business Overview

- ✓ Complexul Energetic Craiova is a coal-generated energy producer in Romania, with a 8% market share in the overall energy market according to ANRE reports for September 2010. The company produces energy in two locations, the Isalnita (two groups with an installed capacity of 315 MW each) and Craiova (2x150MW) power stations. CE Craiova purchases from National Company for Lignite Extraction Oltenia (SNLO) most of the lignite used for the burning process (80%). The Isalnita power station has the following nominal parameters: a boiler furnace (flow of 510t/h), a steam turbine (315 MW) and synchronous generator with hydrogen cooling (315 MW). The Craiova power station has the nominal parameters: boiler furnace (flow of 520t/h), steam turbine (330 MW) and generator (150 MW). The fly and bottom ash are pneumatically transported to two storage locations with capacities of 4.9m cm and 3.9m cm respectively.
- ✓ Due to the older age of some the existing groups (approx 40 years), CE Craiova intends to allocate a part of the investment budget to the revamping of group 7 (Isalnita) and group 1 (Craiova). The company also intends to build a new power group at Isalnita location, with an installed capacity of 500 MW and a cost estimated at minimum EUR 650m. Another part of the capex has been directed to the setup of another two mining locations, Ruget and Bustuchin. Also, in line with current EU environmental requirements, CE Craiova will need to comply with European standards until 2012, mainly in regard to ash storage and the desulphurisation process (at a cost of approx EUR 120m). For 2010, the company has forecasted a capex worth RON 148m, financed with a debt to equity ratio of 0.77:1.
- ✓ In 2009, 56% of the electricity produced was sold to captive clients and 24% through regulated contracts.

## Key drivers

- ✓ Will benefit from an expected energy tariff convergence with the European levels
- ✓ Most future projects will be co-financed by EU programs

## Key risks

- ✓ Significant capex will weigh heavily on the company's balance sheet due to the fact that these projects will also require the company to contribute with own cash, beside EU funds. CE Craiova's cash position has decreased from RON 34m in 2008 to RON 6m in 2009
- ✓ Short-term break in consumption due to current tough economic environment

## Financial Highlights

- ✓ Sales have exhibited a 6.9% increase yoy in 2009 to RON 1,163m, as the company sold 4,444 GWh of energy (4.5% lower than 2008). However, the company benefited from higher electricity tariffs set by ANRE, from RON 212/MWh in 2008 to RON 224/MWh in 2009. A higher depreciation and larger financial expenses have pushed net profit down by 90% in the same time period to RON 0.34m. The company budgets total revenues in amount of RON 1,266m (up by 9% yoy) and a net profit worth RON 1.8m for 2010.

## Comparables' Operational Data\*

Company	EURm	MW	GWh	EURm/MW	EURm/GWh
Listed	Mcapitalization	Capacity	Production	Mcap/Capacity	Mcap/Production
CEZ	16,495	12,300	60,610	1.34	0.27
RWE	28,000	49,582	300,000	0.56	0.09
Drax Group	1,613	3,960	22,600	0.41	0.07
<b>Unlisted</b>					
CE Craiova	-	930	4,400	-	-
CE Turceni	-	2,310	6,392	-	-

\*Figures as of 2009

Source: Companies' websites, BRD-GSG

Company	Implied 2009 EV (EURm), based on			Implied 2009 EV / Installed capacity (EUR/MW), based on		
	P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
CE Craiova	68.91	89.68	63.03	4,097.25	96,426.00	67,776.80

Source: Companies' websites, BRD-GSG

## Key Financial Data&Ratios

	2007	2008	2009
<b>Balance Sheet (RONm)</b>			
Long term assets	942.50	999.48	1,134.83
Current assets, o/w	286.13	360.06	440.67
Cash and current accounts	14.86	33.62	5.74
<b>Total assets</b>	<b>1,243.49</b>	<b>1,393.16</b>	<b>1,581.24</b>
Equity	1,082.96	1,080.57	1,097.46
Long term liabilities, o/w	0.78	1.04	2.04
Long term financial debt	0.00	36.28	86.68
Short term liabilities, o/w	159.75	275.27	344.45
Short term financial debt	0.00	0.00	50.60
<b>Total Equity &amp; Liabilities</b>	<b>1,243.49</b>	<b>1,356.88</b>	<b>1,443.96</b>
<b>Working capital</b>	<b>126.37</b>	<b>84.79</b>	<b>96.22</b>
<b>Net debt(+)/cash(-)</b>	<b>-14.86</b>	<b>2.66</b>	<b>131.55</b>

### Income Statement (RONm)

Sales	925.21	1,088.33	1,163.30
Operating expenses, o/w	846.81	1,014.70	1,087.76
Depreciation&amortization expenses	67.67	69.24	76.21
EBITDA	78.39	73.63	75.53
<b>Operating profit/loss(EBIT)</b>	<b>10.72</b>	<b>4.39</b>	<b>-0.68</b>
Interest expenses	1.00	0.20	2.80
<b>Net income</b>	<b>8.33</b>	<b>3.62</b>	<b>0.34</b>

### Indicator per share (RON/share)

Sales	35.76	42.07	44.97
EPS	0.32	0.14	0.01
BV	41.86	41.77	42.42

### Valuation Ratios(x)

P/E	na	na	na
P/BV	na	na	na
EV/EBITDA	na	na	na
EV/EBIT	na	na	na

### Ratios

Sales growth	na	17.6%	6.9%
Net profit growth	na	-56.5%	-90.7%
Total assets growth	na	12.0%	13.5%
EBITDA margin	8.5%	6.8%	6.5%
EBIT margin	1.2%	0.4%	-0.1%
Net income margin	0.9%	0.3%	0.0%
Interest coverage (x)	10.72	21.97	-0.24
Net debt/equity (x)	-0.01	0.00	0.12
ROE	0.8%	0.3%	0.0%
ROA	0.7%	0.3%	0.0%

Source: Prospectus, BRD-GSG

# Complexul Energetic Rovinari

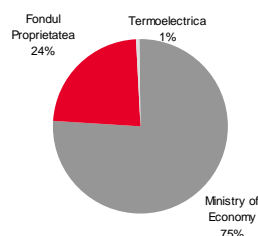
**Sector: Energy-producer**

## Not listed

**Fair Value of FP's stake** **RON 188.59m**

**% Fair NAV** **1.37%**

## Shareholders



Source: Prospectus, BRD-GSG

## Company Description

- ✓ Production and sale of coal-generated energy
- ✓ Exploitation of coal mines

## Similar Companies

### Domestic market

- CEN Craiova, CEN Turceni, Hidroelectrica, Nuclearelectrica

### External market

- Drax Group, RWE, CEZ

## Operational Data

The company has an installed capacity of 1320 MW, from four groups of 330 MW each.

## Business Overview

- ✓ Complexul Energetic Rovinari is a coal-generated energy producer in Romania, with a 9% market share in the overall energy market according to ANRE reports for September 2010. It currently has an installed capacity of 1320 MW. The company has a power plant (Rovinari), which operates the power generating blocks no. 3, 4, 5 and 6, commissioned during 1976 -1979 and a mining division, which operates 3 coal quarries: Rovinari (perimeters Girla and Rovinari-Est), Tismana (perimeters Tismana I and Tismana II) and Pinoasa. CE Rovinari extracts 96% of its lignite consumption from its own mines.
- ✓ The station's groups have the following nominal parameters: a boiler furnace (Benson license, with a total flow of 974t/h), a steam turbine (330 MW) and synchronous generator (330 MW). The fly and bottom ash are pneumatically transported to a storage location at 5km distance from the plant.
- ✓ In the next years, the company will direct its capex towards a 500MW group, two desulphurisation installations at groups 3 and 6 and a new slag deposit. According to media sources, the 500 MW group might be made in partnership with Chinese investors and investments could reach approx EUR 1bn. Its construction is currently in stand-by mode pending the establishment of the new energy champion, Electra (which will overtake CE Rovinari). The budgeted investments for 2010 amount to RON 398m, financed with a debt to equity ratio of 3.6:1.
- ✓ In 2009, 47% of the electricity produced was sold through bilateral contracts and 30% to portfolio contracts.

## Key drivers

- ✓ Better energy efficiency if investment projects will prove successful.
- ✓ The high percentage of raw material from own sources provides significant cost synergies.

## Key risks

- ✓ Significant capex will weigh heavily on the company's balance sheet due to the fact that these projects will also require the company to contribute with own cash, beside EU funds. CE Rovinari's cash position has decreased from RON 44m in 2008 to RON 26m in 2009.
- ✓ Lowest selling price out of all three CE (Turceni, Craiova and Rovinari).

## Financial Highlights

- ✓ Last year, company's operating revenues have fallen by almost 6.5% yoy, from RON 1,367m in 2008 to RON 1,277m in 2009, as sold volumes decreased yoy from 5,982GWh in 2008 to 5,317GWh in 2009. Electricity tariffs set by ANRE for CE Rovinari slightly decreased yoy, from RON 157/MWh in 2008 to RON 155/MWh in 2009. Net profit margin improved however, from 0.1% in 2008 to 0.4% in 2009, as bottom line reached RON 5.6m in 2009. The company budgets total revenues in amount of RON 1,350m and a net profit worth RON 7m for 2010.

## Comparables' Operational Data\*

Company	EURm	MW	GWh	EURm/MW	EURm/GWh
Listed	Mcapitalization	Capacity	Production	Mcap/Capacity	Mcap/Production
CEZ	16,495	12,300	60,610	1.34	0.27
RWE	28,000	49,582	300,000	0.56	0.09
Drax Group	1,613	3,960	22,600	0.41	0.07
<b>Unlisted</b>					
CE Craiova	-	930	4,400	-	-
CE Turceni	-	2,310	6,392	-	-
CE Rovinari	-	1,320	5,354	-	-

\*Figures as of 2009

Source: Companies' websites, BRD-GSG

Company	Implied 2009 EV (EURm), based on			Implied 2009 EV / Installed capacity (EUR/MW), based on		
	P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
CE Rovinari	64.79	23.41	45.61	69,668.65	25,168.90	49,040.40

Source: Companies' websites, BRD-GSG

## Key Financial Data&Ratios

	2007	2008	2009
<b>Balance Sheet (RONm)</b>			
Long term assets	739.38	1,047.03	1,426.71
Current assets, o/w	148.48	212.90	180.03
Cash and current accounts	138.51	44.40	26.41
<b>Total assets</b>	<b>1,026.37</b>	<b>1,304.33</b>	<b>1,633.15</b>
Equity	716.10	853.61	1,064.66
Long term liabilities, o/w	77.88	64.16	42.85
Long term financial debt	0.00	0.00	115.36
Short term liabilities, o/w	232.39	336.20	341.63
Short term financial debt	0.00	50.36	68.65
<b>Total Equity &amp; Liabilities</b>	<b>1,026.37</b>	<b>1,253.97</b>	<b>1,449.14</b>
<b>Working capital</b>	<b>-83.91</b>	<b>-123.30</b>	<b>-161.60</b>
<b>Net debt(+)/cash(-)</b>	<b>-138.51</b>	<b>5.96</b>	<b>157.60</b>
<b>Income Statement (RONm)</b>			
Sales	1,177.10	1,366.75	1,277.40
Operating expenses, o/w	1,037.91	1,293.04	1,201.31
Depreciation&amortization expenses	49.88	59.70	62.45
EBITDA	139.19	73.71	76.11
<b>Operating profit/loss(EBIT)</b>	<b>89.31</b>	<b>14.01</b>	<b>13.66</b>
Interest expenses	0.14	1.94	3.83
<b>Net income</b>	<b>79.27</b>	<b>1.04</b>	<b>5.64</b>
<b>Indicator per share (RON/share)</b>			
Sales	50.28	58.38	54.57
EPS	3.39	0.04	0.24
BV	30.59	36.46	45.48
<b>Valuation Ratios(x)</b>			
P/E	na	na	na
P/BV	na	na	na
EV/EBITDA	na	na	na
EV/EBIT	na	na	na
<b>Ratios</b>			
Sales growth	na	16.1%	-6.5%
Net profit growth	na	-98.7%	442.3%
Total assets growth	na	27.1%	25.2%
EBITDA margin	11.8%	5.4%	6.0%
EBIT margin	7.6%	1.0%	1.1%
Net income margin	6.7%	0.1%	0.4%
Interest coverage (x)	637.93	7.22	3.57
Net debt/equity (x)	-0.19	0.01	0.15
ROE	11.1%	0.1%	0.5%
ROA	7.7%	0.1%	0.3%

Source: Prospectus, BRD-GSG

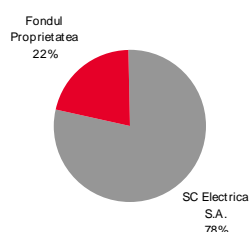
# FDFEE ELECTRICA DISTRIBUTIE MUNTENIA NORD

## Sector: Electricity Distribution

### Not Listed

**Fair Value of FP's stake** **RON 123.95m**  
**% Fair NAV** **0.90%**

### Shareholders



Source: Prospectus, BRD-GSG

### Company Description

The company's main activity is electricity distribution, but also interconnection services for both producers and consumers and electricity advisory.

### Similar Companies

#### Domestic market

Enel Distributie Dobrogea, Enel Distributie Muntenia, Enel Distributie Banat, CEZ Distributie, E.ON Moldova Distributie, FDEE Electrica Distributie Transilvania Nord, FDEE Electrica Distributie Transilvania Sud

#### External market

Praszka Energetika, ELMU, Interregional Distribution Grid of South Russia, Interregional Distribution Grid of Ural, Interregional Distribution Grid of Volga

### Operational Data

Total network length: na

Total energy transported in 2009 and 2008: 6,302 GWh and 7,195 GWh respectively

Total end consumers: na

Power in transformer stations and posts: na

### Business Overview

- ✓ S.C. FDFEE Electrica Distributie Muntenia Nord S.A. resulted from the separation of the distribution and supply activities of FDFEE Electrica Muntenia Nord S.A. in accordance with European regulation (Directive 2003/54/EC) and Romanian legislation (Government decision no.675/2007).
- ✓ The electricity distribution activity is regulated by the National Authority in the Energy Sector (ANRE) and the tariffs are set through a "tariff basket cap" method allowing for a regulated real return on assets above the costs agreed with the authority. The key indicators are set every five years (current period ends in December 2012) and are annually adjusted for inflation, actual volumes, costs and CAPEX.
- ✓ Electrica Distributie Muntenia Nord operates through 6 territorial units: Braila, Buzau, Focsani, Galati, Ploiesti and Targoviste. In 2009 the company distributed 6,302 GWh vs. 7,195 GWh in 2008, corresponding to a market share of 15.96% vs. 16.95% in 2008.

### Key drivers

- ✓ In 2010 the company had an investment budget of RON 86m for the construction of 110kV power lines and stations, revamping and modernisation of installations. The investments will increase the value of the regulated assets base (RAB) which is a premise for tariffs and revenues growth as agreed within negotiations with ANRE.
- ✓ Also FDFEE Electrica Distributie Muntenia Nord is one of the three electricity distributors which remained in the hands of the state with no clear privatisation plans until now.

### Key risks

- ✓ The company's estimations for future tariffs and implicitly revenues and profit could be overstated compared to the actual ones approved by ANRE if some capital expenditures or operational costs are not recognized or if the Government decides to freeze the tariffs as a measure of social assistance.
- ✓ The main client of the company (with 88.7% of 2009 turnover) is the incumbent electricity supplier FDFEE Electrica Furnizare Muntenia Nord, which as all electricity incumbent suppliers has high over due unpaid receivables by state owned companies and especially the National Railway Company (CFR).

### Financial Highlights

- ✓ In 2009 the company posted sales of RON 611.5m almost flat yoy with distribution and balancing market revenues slightly up by 1.4% to RON 547.5m. Operating expenses advanced by 17.1% to RON 618.4m on the back of third parties services (RON 177.3m, up by 8.1% yoy), technological consumption (RON 178m, up by 2.37% yoy) and personnel expenses (RON 117.7m, up by 16.4% yoy). Net profit stood at RON 24.6m, three times lower compared to 2008.



## Comparables' Operational Data

Company	Total network length	Total energy transported in 2009/2008	Total end consumers
Enel Distributie Dobrogea	35,066km	3,349 GWh/ 3,470 GWh	0.61m
Enel Distributie Muntenia	47,117km	6,017 GWh/ 5,038 GWh	1.13m
Enel Distributie Banat	41,338km	3,858GWh/ 3,961 GWh	0.85m
FDEE Electrica Distributie Transilvania Nord	na	4,260 GWh/ 4,474 GWh	na
FDEE Electrica Distributie Transilvania Sud	50,321km	4,627 GWh/ 4,888 GWh	1.06m
E.ON Distributie Dobrogea	78,940km	4,052 GWh/ 4,296 GWh	na
Praszka Energetika	11,679km	6,339 GWh/ 6,373 GWh	0.74m
ELMU	23,206km	na	na
Interregional Distribution Grid of South Russia	160,611km	29,221 GWh/ 31,915 GWh	na
Interregional Distribution Grid of Ural	113,250km	66,080 GWh/na	na
Interregional Distribution Grid of Volga	262,186km	50,889 GWh/ 55,431 GWh	na

Source: Companies' websites, BRD-GSG

## Key Financial Data&Ratios

	2007	2008	2009
<b>Balance Sheet (RONm)</b>			
<b>Long term assets</b>	<b>1,116.61</b>	<b>1,305.79</b>	<b>1,377.94</b>
<b>Current assets, o/w</b>	<b>151.76</b>	<b>270.03</b>	<b>299.20</b>
Cash and current accounts	50.97	111.81	103.82
<b>Total assets</b>	<b>1,268.44</b>	<b>1,575.88</b>	<b>1,677.18</b>
Equity	788.69	1,030.96	1,055.61
<b>Long term liabilities, o/w</b>	<b>50.28</b>	<b>60.97</b>	<b>59.00</b>
Long term financial debt	0.00	0.00	0.00
<b>Short term liabilities, o/w</b>	<b>161.50</b>	<b>164.04</b>	<b>183.35</b>
Short term financial debt	0.00	0.00	0.00
<b>Total Equity &amp; Liabilities</b>	<b>1,000.47</b>	<b>1,255.97</b>	<b>1,297.96</b>
<b>Working capital</b>	<b>-9.74</b>	<b>105.99</b>	<b>115.85</b>
<b>Net debt(+)/cash(-)</b>	<b>-50.97</b>	<b>-111.81</b>	<b>-103.82</b>
<b>Income Statement (RONm)</b>			
<b>Sales</b>	<b>972.32</b>	<b>614.62</b>	<b>611.47</b>
<b>Operating expenses, o/w</b>	<b>952.51</b>	<b>527.99</b>	<b>618.41</b>
Depreciation&amortization expenses	69.33	63.77	47.86
EBITDA	108.69	159.98	75.59
<b>Operating profit/loss(EBIT)</b>	<b>39.36</b>	<b>96.21</b>	<b>27.73</b>
Interest expenses	3.21	2.41	2.38
<b>Net income</b>	<b>28.67</b>	<b>76.35</b>	<b>24.65</b>
<b>Indicator per share (RON/share)</b>			
Sales	27.44	17.34	17.26
EPS	0.81	2.15	0.70
BV	22.26	29.09	29.79
<b>Valuation Ratios(x)</b>			
P/E	na	na	na
P/BV	na	na	na
EV/EBITDA	na	na	na
EV/EBIT	na	na	na
<b>Ratios</b>			
Sales growth	na	-36.8%	-0.5%
Net profit growth	na	166.3%	-67.7%
Total assets growth	na	24.2%	6.4%
EBITDA margin	11.2%	26.0%	12.4%
EBIT margin	4.0%	15.7%	4.5%
Net income margin	2.9%	12.4%	4.0%
Interest coverage (x)	12.26	39.92	11.65
Net debt/equity (x)	-0.06	-0.11	-0.10
ROE	3.6%	7.4%	2.3%
ROA	2.3%	4.8%	1.5%

Source: Prospectus, BRD-GSG



# ENEL DISTRIBUTIE BANAT

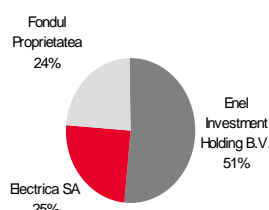
## Sector: Electricity Distribution

### Not Listed

**Fair Value of FP's stake** **RON 232.65m**

**% Fair NAV** **1.69%**

### Shareholders



Source: Prospectus, BRD-GSG

### Company Description

The company's main activity is electricity distribution, but also interconnection services for both producers and consumers and electricity measurement services.

### Similar Companies

#### Domestic market

Enel Distributie Dobrogea, Enel Distributie Muntenia, CEZ Distributie, E.ON Moldova Distributie, FDFEE Electrica Distributie Transilvania Nord, FDFEE Electrica Distributie Transilvania Sud, FDFEE Electrica Distributie Muntenia Nord

#### External market

Praszka Energetika, ELMU, Interregional Distribution Grid of South Russia, nterregional Distribution Grid of Ural, nterregional Distribution Grid of Volga

### Operational Data

Total network 41,338 km out of which

- 26,885 km low voltage lines
- 12,466 km medium voltage lines
- 1,987 km high voltage lines

Total energy transported in 2009 and 2008: 3,858 GWh and 3,961 GWh respectively

### Business Overview

- ✓ S.C. Enel Distributie Banat S.A. resulted from the separation of the distribution and supply activities of Enel Electrica Banat S.A. in accordance with European regulation (Directive 2003/54/EC) and Romanian legislation (Electricity Law no.13/2007).
- ✓ The electricity distribution activity is regulated by the National Authority in the Energy Sector (ANRE) and the tariffs are set through a "tariff basket cap" method allowing for a regulated real return on assets above the costs agreed with the authority. The key indicators are set every five years (current period ends in December 2012) and are annually adjusted for inflation, actual volumes, costs and CAPEX.
- ✓ Enel Distributie Banat operates through 4 territorial units: Arad, Hunedoara, Caras-Severin and Timis and provides services for approx. 848 th end consumers. In 2009 the company distributed 3,858 GWh vs. 3,961 GWh in 2008, corresponding to a market share of 9.76% vs. 9.33% in 2008.

### Key drivers

- ✓ Enel plans to invest over EUR 700m in the next five years for the modernisation of the infrastructure network operated by its three subsidiaries Enel Distributie Banat, Dobrogea and Muntenia. The investments will increase the value of the regulated assets base (RAB) which is a premise for tariffs and revenues growth as agreed within negotiations with ANRE.

### Key risks

- ✓ The company's estimations for future tariffs and implicitly revenues and profit could be overstated compared to the actual ones approved by ANRE if some capital expenditures or operational costs are not recognized or if the Government decides to freeze the tariffs as a measure of social assistance.

### Financial Highlights

- ✓ In 2009 company's sales advanced by 3.9% yoy to RON 526.4m while operating expenses declined by 2.6% yoy to RON 407.4m, although electricity cost increased by 10.35% yoy to RON 131.5m. On the bottom line net profit came in at RON 150.6m, by 31% higher yoy corresponding to a net margin of 28.6% compared to 22.7% in 2008.

## Comparables' Operational Data

Company	Total network length	Total energy transported in 2009/2008	Total end consumers
Enel Distributie Dobrogea	35,066km	3,349 GWh/ 3,470 GWh	0.61m
Enel Distributie Muntenia	47,117km	6,017 GWh/ 5,038 GWh	1.13m
E.ON Moldova Distributie	78,940km	4,052GWh/ 4,296 GWh	na
FDEE Electrica Distributie Muntenia Nord	na	6,302 GWh/ 7,195 GWh	na
FDEE Electrica Distributie Transilvania Nord	na	4,260 GWh/ 4,474 GWh	na
FDEE Electrica Distributie Transilvania Sud	50,321km	4,627 GWh/ 4,888 GWh	1.06m
Praszka Energetika	11,679km	6,339 GWh/ 6,373 GWh	0.74m
ELMU	23,206km	na	na
Interregional Distribution Grid of South Russia	160,611km	29,221 GWh/ 31,915 GWh	na
Interregional Distribution Grid of Ural	113,250km	66,080 GWh/na	na
Interregional Distribution Grid of Volga	262,186km	50,889 GWh/ 55,431 GWh	na

Source: Companies' websites, BRD-GSG

## Key Financial Data&Ratios

	2007	2008	2009
<b>Balance Sheet (RONm)</b>			
Long term assets	865.67	1,015.12	1,072.28
Current assets, o/w	448.99	413.58	561.04
Cash and current accounts	296.57	273.14	400.22
<b>Total assets</b>	<b>1,314.71</b>	<b>1,428.75</b>	<b>1,633.37</b>
Equity	945.28	999.90	1,152.47
Long term liabilities, o/w	0.00	0.00	0.00
Long term financial debt	0.00	0.00	0.00
Short term liabilities, o/w	170.96	156.13	171.32
Short term financial debt	0.00	0.00	0.00
<b>Total Equity &amp; Liabilities</b>	<b>1,116.24</b>	<b>1,156.03</b>	<b>1,323.79</b>
<b>Working capital</b>	<b>278.03</b>	<b>257.45</b>	<b>389.72</b>
<b>Net debt(+)/cash(-)</b>	<b>-296.57</b>	<b>-273.14</b>	<b>-400.22</b>
<b>Income Statement (RONm)</b>			
Sales	769.85	506.78	526.41
Operating expenses, o/w	633.41	418.22	407.40
Depreciation&amortization expenses	37.35	62.60	63.05
EBITDA	214.08	169.53	203.30
<b>Operating profit/loss(EBIT)</b>	<b>176.73</b>	<b>106.93</b>	<b>140.25</b>
Interest expenses	0.00	0.00	0.00
<b>Net income</b>	<b>158.09</b>	<b>114.88</b>	<b>150.65</b>
<b>Indicator per share (RON/share)</b>			
Sales	20.14	13.26	13.77
EPS	4.14	3.01	3.94
BV	24.74	26.16	30.16
<b>Valuation Ratios(x)</b>			
P/E	na	na	na
P/BV	na	na	na
EV/EBITDA	na	na	na
EV/EBIT	na	na	na
<b>Ratios</b>			
Sales growth	na	-34.2%	3.9%
Net profit growth	na	-27.3%	31.1%
Total assets growth	na	8.7%	14.3%
EBITDA margin	27.8%	33.5%	38.6%
EBIT margin	23.0%	21.1%	26.6%
Net income margin	20.5%	22.7%	28.6%
Interest coverage (x)	na	na	na
Net debt/equity (x)	-0.31	-0.27	-0.35
ROE	16.7%	11.5%	13.1%
ROA	12.0%	8.0%	9.2%

Source: Prospectus, BRD-GSG

# E.ON MOLDOVA DISTRIBUTIE

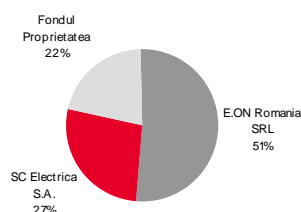
## Sector: Electricity Distribution

### Not Listed

**Fair Value of FP's stake** **RON 111.14m**

**% Fair NAV** **0.81%**

### Shareholders



Source: Prospectus, BRD-GSG

### Company Description

The company's main activity is electricity distribution, but also interconnection services for both producers and consumers and electricity advisory.

### Similar Companies

#### Domestic market

Enel Distributie Dobrogea, Enel Distributie Muntenia, Enel Distributie Banat, CEZ Distributie, FDFEE Electrica Distributie Muntenia Nord, FDFEE Electrica Distributie Transilvania Nord, FDFEE Electrica Distributie Transilvania Sud

#### External market

Praszka Energetika, ELMU, Interregional Distribution Grid of South Russia, Interregional Distribution Grid of Ural, Interregional Distribution Grid of Volga,

### Operational Data

Total network length :78,940km

Total energy transported in 2008 and 2009:  
4,296 GWh and 4,052 GWh respectively

Total number of end consumers :na

Power in transformer stations and posts: na

### Business Overview

- ✓ S.C. E.ON Moldova Distributie S.A. resulted from the separation of the distribution and supply activities of E.ON Moldova S.A. in accordance with European regulation (Directive 2003/54/EC).
- ✓ The electricity distribution activity is regulated by the National Authority in the Energy Sector (ANRE) and the tariffs are set through a "tariff basket cap" method allowing for a regulated real return on assets above the costs agreed with the authority. The key indicators are set every five years (current period ends in December 2012) and are annually adjusted for inflation, actual volumes, costs and CAPEX.
- ✓ E.ON Moldova Distributie S.A operates through 6 territorial units: Bacau, Iasi, Vaslui, Neamt, Suceava and Botosani. In 2009 the company distributed 4,052 GWh vs. 4,296 GWh in 2008, corresponding to a market share of 10.26% vs. 10.12% in 2008.

### Key drivers

- ✓ Since the company's privatisation in 2005, E.ON Moldova invested over RON 500mn in network and power stations modernisation. The investments will increase the value of the regulated assets base (RAB) which is a premise for tariffs and revenues growth as agreed within negotiations with ANRE.

### Key risks

- ✓ The company's estimations for future tariffs and implicitly revenues and profit could be overstated compared to the actual ones approved by ANRE if some capital expenditures or operational costs are not recognized or if the Government decides to freeze the tariffs as a measure of social assistance.

### Financial Highlights

- ✓ In 2009 the company's turnover reached RON 630.07m, up by 6.8% yoy, while operating expenses remained almost flat (+1.6% yoy). Electricity cost amounted to RON 135m in 2009 representing 23.8% of total operating expenses compared to RON 156m in 2008 or 28% of total operating costs. On the bottom line net profit came in a RON 51m more than double compared to 2008.

**Laura Simion, CFA**  
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## Comparables' Operational Data

Company	Total network length	Total energy transported in 2009/2008	Total end consumers
Enel Distributie Dobrogea	35,066km	3,349 GWh/ 3,470 GWh	0.61m
Enel Distributie Muntenia	47,117km	6,017 GWh/ 5,038 GWh	1.13m
Enel Distributie Banat	41,338km	3,858GWh/ 3,961 GWh	0.85m
FDEE Electrica Distributie Muntenia Nord	na	6,302 GWh/ 7,195 GWh	na
FDEE Electrica Distributie Transilvania Nord	na	4,260 GWh/ 4,474 GWh	na
FDEE Electrica Distributie Transilvania Sud	50,321km	4,627 GWh/ 4,888 GWh	1.06m
Praszka Energetika	11,679km	6,339 GWh/ 6,373 GWh	0.74m
ELMU	23,206km	na	na
Interregional Distribution Grid of South Russia	160,611km	29,221 GWh/ 31,915 GWh	na
Interregional Distribution Grid of Ural	113,250km	66,080 GWh/na	na
Interregional Distribution Grid of Volga	262,186km	50,889 GWh/ 55,431 GWh	na

Source: Companies' websites, BRD-GSG

## Key Financial Data&Ratios

	2007	2008	2009
<b>Balance Sheet (RONm)</b>			
Long term assets	1,068.23	1,167.41	1,206.31
Current assets, o/w	334.86	406.97	400.56
Cash and current accounts	9.33	1.31	0.13
<b>Total assets</b>	<b>1,403.09</b>	<b>1,574.38</b>	<b>1,606.87</b>
Equity	667.72	687.80	738.76
Long term liabilities, o/w	294.20	349.53	389.24
Long term financial debt	1.66	0.00	0.00
Short term liabilities, o/w	441.17	537.05	478.87
Short term financial debt	25.68	26.60	15.25
<b>Total Equity &amp; Liabilities</b>	<b>1,403.09</b>	<b>1,574.38</b>	<b>1,606.87</b>
Working capital	-106.31	-130.08	-78.31
Net debt(+)/cash(-)	18.01	25.29	15.12

<b>Income Statement (RONm)</b>			
Sales	703.96	589.93	630.07
Operating expenses, o/w	653.75	558.42	567.62
Depreciation&amortization expenses	41.30	46.33	62.67
EBITDA	107.67	89.12	143.66
<b>Operating profit/loss(EBIT)</b>	<b>66.37</b>	<b>42.79</b>	<b>80.99</b>
Interest expenses	0.71	1.11	3.87
<b>Net income</b>	<b>48.24</b>	<b>20.08</b>	<b>50.96</b>

<b>Indicator per share (RON/share)</b>			
Sales	14.09	11.80	12.61
EPS	0.97	0.40	1.02
BV	13.36	13.76	14.78

<b>Valuation Ratios(x)</b>			
P/E	na	na	na
P/BV	na	na	na
EV/EBITDA	na	na	na
EV/EBIT	na	na	na

<b>Ratios</b>			
Sales growth	na	-16.2%	6.8%
Net profit growth	na	-58.4%	153.8%
Total assets growth	na	12.2%	2.1%
EBITDA margin	15.3%	15.1%	22.8%
EBIT margin	9.4%	7.3%	12.9%
Net income margin	6.9%	3.4%	8.1%
Interest coverage (x)	93.48	38.55	20.93
Net debt/equity (x)	0.03	0.04	0.02
ROE	7.2%	2.9%	6.9%
ROA	3.4%	1.3%	3.2%

Source: Prospectus, BRD-GSG

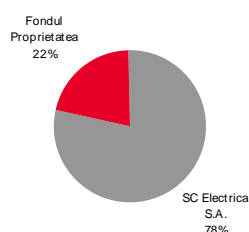
# FDFEE ELECTRICA DISTRIBUTIE TRANSILVANIA SUD

**Sector: Electricity Distribution**

## Not Listed

**Fair Value of FP's stake**     **RON 106.42m**  
**% Fair NAV**     **0.77%**

## Shareholders



Source: Prospectus, BRD-GSG

## Company Description

The company's main activity is electricity distribution, but also interconnection services for both producers and consumers and electricity advisory.

## Similar Companies

### Domestic market

Enel Distributie Dobrogea, Enel Distributie Muntenia, Enel Distributie Banat, CEZ Distributie, E.ON Moldova Distributie, FDFEE Electrica Distributie Muntenia Nord, FDFEE Electrica Distributie Transilvania Nord

### External market

Praszka Energetika, ELMU, Interregional Distribution Grid of South Russia, Interregional Distribution Grid of Ural, Interregional Distribution Grid of Volga

## Operational Data

Total network length :50,321km  
 Total energy transported in 2009 and 2008: 4,627 GWh and 4,888 GWh respectively  
 End consumers : 1.065m  
 Power in transformer stations and posts: na

## Business Overview

- ✓ S.C. FDFEE Electrica Distributie Transilvania Sud S.A. resulted from the separation of the distribution and supply activities of FDFEE Electrica Transilvania Sud S.A. in accordance with European regulation (Directive 2003/54/EC) and Romanian legislation (Government decision no.675/2007).
- ✓ The electricity distribution activity is regulated by the National Authority in the Energy Sector (ANRE) and the tariffs are set through a "tariff basket cap" method allowing for a regulated real return on assets above the costs agreed with the authority. The key indicators are set every five years (current period ends in December 2012) and are annually adjusted for inflation, actual volumes, costs and CAPEX.
- ✓ Electrica Distributie Transilvania Sud operates through 6 territorial units: Alba, Brasov, Covasna, Harghita, Mures and Sibiu and provides services for 1.065m end consumers. In 2009 the company distributed 4,627 GWh vs. 4,888 GWh in 2008, corresponding to a market share of 11.68% vs. 11.52% in 2008.

## Key drivers

- ✓ In 2010 the company had an investment budget of RON 131m for the construction of 110kV power lines and stations, revamping and modernisation of installations and distribution network. The investments will increase the value of the regulated assets base (RAB) which is a premise for tariffs and revenues growth as agreed within negotiations with ANRE.
- ✓ Also FDFEE Electrica Distributie Transilvania Sud is one of the three electricity distributors which remained in the hands of the state but no clear privatisation plans were announced until now.

## Key risks

- ✓ The company's estimations for future tariffs and implicitly revenues and profit could be overstated compared to the actual ones approved by ANRE if some capital expenditures or operational costs are not recognized or if the Government decides to freeze the tariffs as a measure of social assistance.
- ✓ The main client of the company (with 86.8% of 2009 turnover) is the incumbent electricity supplier FDFEE Electrica Furnizare Transilvania Sud, which as all electricity incumbent suppliers has high over due unpaid receivables by state owned companies and especially the National Railway Company (CFR).

## Financial Highlights

- ✓ In 2009 the company posted sales of RON 539.2m almost flat compared to 2008 (+2.6% yoy), while operating expenses advanced by 3.3% yoy to RON 537.8m, driven by personnel expenses growth (+16.1% yoy to RON 101.2m). Technological consumption cost declined by 6.1% yoy to RON 158.7m and third parties expenses decreased by 7.9% to RON 150.7m. On the bottom line net profit came in at RON 23.2m, by 14.3% lower yoy.

## Comparables' Operational Data

Company	Total network length	Total energy transported in 2009/2008	Total end consumers
Enel Distributie Dobrogea	35,066km	3,349 GWh/ 3,470 GWh	0.61m
Enel Distributie Muntenia	47,117km	6,017 GWh/ 5,038 GWh	1.13m
Enel Distributie Banat	41,338km	3,858GWh/ 3,961 GWh	0.85m
FDEE Electrica Distributie Muntenia Nord	na	6,302 GWh/ 7,195 GWh	na
FDEE Electrica Distributie Transilvania Nord	na	4,260 GWh/ 4,474 GWh	na
E.ON Distributie Dobrogea	78,940km	4,052 GWh/ 4,296 GWh	na
Praszka Energetika	11,679km	6,339 GWh/ 6,373 GWh	0.74m
ELMU	23,206km	na	na
Interregional Distribution Grid of South Russia	160,611km	29,221 GWh/ 31,915 GWh	na
Interregional Distribution Grid of Ural	113,250km	66,080 GWh/na	na
Interregional Distribution Grid of Volga	262,186km	50,889 GWh/ 55,431 GWh	na

Source: Companies' websites, BRD-GSG

## Key Financial Data&Ratios

	2007	2008	2009
<b>Balance Sheet (RONm)</b>			
Long term assets	911.37	1,157.52	1,288.07
Current assets, o/w	170.54	190.91	159.46
Cash and current accounts	49.33	72.43	38.09
<b>Total assets</b>	<b>1,081.96</b>	<b>1,348.61</b>	<b>1,447.65</b>
Equity	606.47	799.22	822.37
Long term liabilities, o/w	55.10	67.77	79.49
Long term financial debt	0.00	0.00	0.00
Short term liabilities, o/w	148.54	148.88	169.98
Short term financial debt	0.00	0.00	0.00
<b>Total Equity &amp; Liabilities</b>	<b>810.11</b>	<b>1,015.87</b>	<b>1,071.84</b>
<b>Working capital</b>	<b>22.00</b>	<b>42.03</b>	<b>-10.52</b>
<b>Net debt(+)/cash(-)</b>	<b>-49.33</b>	<b>-72.43</b>	<b>-38.09</b>

<b>Income Statement (RONm)</b>			
Sales	964.36	525.44	539.19
Operating expenses, o/w	959.14	520.73	537.81
Depreciation&amortization expenses	44.93	33.10	67.90
EBITDA	81.32	67.27	97.72
Operating profit/loss(EBIT)	36.39	34.17	29.82
Interest expenses	0.37	0.13	0.81
<b>Net income</b>	<b>24.48</b>	<b>27.04</b>	<b>23.18</b>

<b>Indicator per share (RON/share)</b>			
Sales	22.75	12.39	12.72
EPS	0.58	0.64	0.55
BV	14.30	18.85	19.40

<b>Valuation Ratios(x)</b>			
P/E	na	na	na
P/BV	na	na	na
EV/EBITDA	na	na	na
EV/EBIT	na	na	na

<b>Ratios</b>			
Sales growth	na	-45.5%	2.6%
Net profit growth	na	10.5%	-14.3%
Total assets growth	na	24.6%	7.3%
EBITDA margin	8.4%	12.8%	18.1%
EBIT margin	3.8%	6.5%	5.5%
Net income margin	2.5%	5.1%	4.3%
Interest coverage (x)	98.35	262.85	36.81
Net debt/equity (x)	-0.08	-0.09	-0.05
ROE	4.0%	3.4%	2.8%
ROA	2.3%	2.0%	1.6%

Source: Prospectus, BRD-GSG

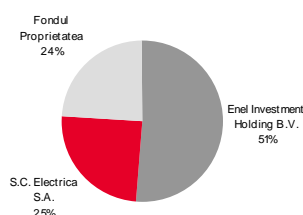
# ENEL DISTRIBUTIE DOBROGEA

## Sector: Electricity Distribution

### Not Listed

**Fair Value of FP's stake** **RON 152.57m**  
**% Fair NAV** **1.11%**

### Shareholders



Source: Prospectus, BRD-GSG

### Company Description

The company's main activity is electricity distribution, but also interconnection services for both producers and consumers and electricity measurement services.

### Similar Companies

#### Domestic market

Enel Distributie Muntenia, Enel Distributie Banat, CEZ Distributie, E.ON Moldova Distributie, FDFEE Electrica Distributie Transilvania Nord, FDFEE Electrica Distributie Transilvania Sud, FDFEE Electrica Distributie Muntenia Nord

#### External market

Praszka Energetika, ELMU, Interregional Distribution Grid of South Russia, Interregional Distribution Grid of Ural, Interregional Distribution Grid of Volga

### Operational Data

Total network 35,066 km out of which

- 21,993 km low voltage lines
- 10,895 km medium voltage lines
- 2,178 km high voltage lines

Total energy distributed in 2009 and 2008: 3,349 GWh and 3,470 GWh respectively

Number of end consumers: 0.6m

7,132.5 MVA power in transformer stations and posts

### Business Overview

- ✓ S.C. Enel Distributie Dobrogea S.A. resulted from the separation of the distribution and supply activities of Enel Electrica Dobrogea S.A. in accordance with European regulation (Directive 2003/54/EC) and Romanian legislation (Electricity Law no.13/2007).
- ✓ The electricity distribution activity is regulated by the National Authority in the Energy Sector (ANRE) and the tariffs are set through a "tariff basket cap" method allowing for a regulated real return on assets above the costs agreed with the authority. The key indicators are set every five years (current period ends in December 2012) and are annually adjusted for inflation, actual volumes, costs and CAPEX.
- ✓ Enel Distributie Dobrogea operates through 4 territorial units: Constanta, Calarasi, Tulcea and Ialomita and serves approx. 608 th end consumers. In 2009 the company distributed 3,349 GWh vs. 3,470 GWh in 2008, corresponding to a market share of 8.47% vs. 8.18% in 2008.

### Key drivers

- ✓ Enel plans to invest over EUR 700m in the next five years for the modernisation of the infrastructure network operated by its three subsidiaries Enel Distributie Banat, Dobrogea and Muntenia. The investments will increase the value of the regulated assets base (RAB) which is a premise for tariffs and revenues growth as agreed within negotiations with ANRE.

### Key risks

- ✓ The company's estimations for future tariffs and implicitly revenues and profit could be overstated compared to the actual ones approved by ANRE if some capital expenditures or operational costs are not recognized or if the Government decides to freeze the tariffs as a measure of social assistance.

### Financial Highlights

- ✓ In 2009 Enel Distributie Dobrogea posted sales of RON 391.5m, almost flat yoy (+1.8%), while operating expenses declined by 5.3% yoy to RON 322.2m. Among main expenses categories third parties expenses decreased by 6% yoy to RON 79m, while electricity costs reduced by 3.4% yoy to RON 108.2m and personnel expenses inched up by 5.2% yoy to RON 80m. On the bottom line net profit came in at RON 92.1m, by 44.7% higher yoy and corresponding to a net margin of 23.5% compared to 16.5% in 2008.

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## Comparables' Operational Data

Company	Total network length	Total energy transported in 2009/2008	Total end consumers
Enel Distributie Banat	41,338km	3,858 GWh/ 3,961 GWh	0.85m
Enel Distributie Muntenia	47,117km	6,017 GWh/ 5,038 GWh	1.13m
E.ON Moldova Distributie	78,940km	4,052GWh/ 4,296 GWh	na
FDEE Electrica Distributie Muntenia Nord	na	6,302 GWh/ 7,195 GWh	na
FDEE Electrica Distributie Transilvania Nord	na	4,260 GWh/ 4,474 GWh	na
FDEE Electrica Distributie Transilvania Sud	50,321km	4,627 GWh/ 4,888 GWh	1.06m
Praszka Energetika	11,679km	6,339 GWh/ 6,373 GWh	0.74m
ELMU	23,206km	na	na
Interregional Distribution Grid of South Russia	160,611km	29,221 GWh/ 31,915 GWh	na
Interregional Distribution Grid of Ural	113,250km	66,080 GWh/na	na
Interregional Distribution Grid of Volga	262,186km	50,889 GWh/ 55,431 GWh	na

Source: Companies' websites, BRD-GSG

## Key Financial Data&Ratios

	2007	2008	2009
<b>Balance Sheet (RONm)</b>			
<b>Long term assets</b>	<b>645.74</b>	<b>757.31</b>	<b>841.67</b>
<b>Current assets, o/w</b>	<b>304.69</b>	<b>293.40</b>	<b>356.47</b>
Cash and current accounts	168.74	186.44	228.35
<b>Total assets</b>	<b>950.47</b>	<b>1,051.35</b>	<b>1,198.76</b>
Equity	668.77	704.61	806.62
<b>Long term liabilities, o/w</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Long term financial debt	0.00	0.00	0.00
<b>Short term liabilities, o/w</b>	<b>117.81</b>	<b>134.82</b>	<b>158.31</b>
Short term financial debt	0.00	0.00	0.00
<b>Total Equity &amp; Liabilities</b>	<b>786.58</b>	<b>839.43</b>	<b>964.93</b>
<b>Working capital</b>	<b>186.88</b>	<b>158.58</b>	<b>198.16</b>
<b>Net debt(+)/cash(-)</b>	<b>-168.74</b>	<b>-186.44</b>	<b>-228.35</b>
<b>Income Statement (RONm)</b>			
<b>Sales</b>	<b>574.69</b>	<b>384.63</b>	<b>391.46</b>
<b>Operating expenses, o/w</b>	<b>507.76</b>	<b>340.05</b>	<b>322.17</b>
Depreciation&amortization expenses	34.28	45.31	47.95
EBITDA	130.19	102.91	132.97
<b>Operating profit/loss(EBIT)</b>	<b>95.91</b>	<b>57.60</b>	<b>85.02</b>
Interest expenses	0.00	0.00	0.00
<b>Net income</b>	<b>83.05</b>	<b>63.65</b>	<b>92.08</b>
<b>Indicator per share (RON/share)</b>			
Sales	20.50	13.72	13.97
EPS	2.96	2.27	3.29
BV	23.86	25.14	28.78
<b>Valuation Ratios(x)</b>			
P/E	na	na	na
P/BV	na	na	na
EV/EBITDA	na	na	na
EV/EBIT	na	na	na
<b>Ratios</b>			
Sales growth	na	-33.1%	1.8%
Net profit growth	na	-23.4%	44.7%
Total assets growth	na	10.6%	14.0%
EBITDA margin	22.7%	26.8%	34.0%
EBIT margin	16.7%	15.0%	21.7%
Net income margin	14.5%	16.5%	23.5%
Interest coverage (x)	na	na	na
Net debt/equity (x)	-0.25	-0.26	-0.28
ROE	12.4%	9.0%	11.4%
ROA	8.7%	6.1%	7.7%

Source: Prospectus, BRD-GSG



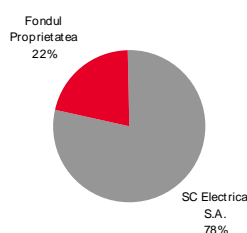
# FDFEE ELECTRICA DISTRIBUTIE TRANSILVANIA NORD

## Sector: Electricity Distribution

### Not Listed

Fair Value of FP's stake **RON 95.41m**  
 % Fair NAV **0.69%**

### Shareholders



Source: Prospectus, BRD-GSG

### Company Description

The company's main activity is electricity distribution, but also interconnection services for both producers and consumers and electricity advisory.

### Similar Companies

#### Domestic market

Enel Distributie Dobrogea, Enel Distributie Muntenia, Enel Distributie Banat, CEZ Distributie, E.ON Moldova Distributie, FDFEE Electrica Distributie Muntenia Nord, FDFEE Electrica Distributie Transilvania Sud

#### External market

Praszka Energetika, ELMU, Interregional Distribution Grid of South Russia, Interregional Distribution Grid of Ural, Interregional Distribution Grid of Volga

### Operational Data

Total network length: na

Total energy transported in 2009 and 2008: 4,260 GWh and 4,474 GWh respectively

Total end consumers: na

Power in transformer stations and posts: na

### Business Overview

- ✓ S.C. FDFEE Electrica Distributie Transilvania Nord S.A. resulted from the separation of the distribution and supply activities of FDFEE Electrica Transilvania Nord S.A. in accordance with European regulation (Directive 2003/54/EC) and Romanian legislation (Government decision no.675/2007).
- ✓ The electricity distribution activity is regulated by the National Authority in the Energy Sector (ANRE) and the tariffs are set through a "tariff basket cap" method allowing for a regulated real return on assets above the costs agreed with the authority. The key indicators are set every five years (current period ends in December 2012) and are annually adjusted for inflation, actual volumes, costs and CAPEX.
- ✓ Electrica Distributie Transilvania Nord operates through 6 territorial units: Cluj Napoca, Bistrita, Oradea, Baia Mare, Satu Mare and Zalau. In 2009 the company distributed 4,260 GWh vs. 4,474 GWh in 2008, corresponding to a market share of 10.78% vs. 10.53% in 2008.

### Key drivers

- ✓ In 2010 the company had an investment budget of RON 74m for the construction of 110kV power lines and stations, revamping and modernisation of installations. The investments will increase the value of the regulated assets base (RAB) which is a premise for tariffs and revenues growth as agreed within negotiations with ANRE.
- ✓ Also FDFEE Electrica Distributie Transilvania Nord is one of the three electricity distributors which remained in the hands of the state but no clear privatisation plans were announced until now.

### Key risks

- ✓ The company's estimations for future tariffs and implicitly revenues and profit could be overstated compared to the actual ones approved by ANRE if some capital expenditures or operational costs are not recognized or if the Government decides to freeze the tariffs as a measure of social assistance.
- ✓ The main client of the company (with 86.3% of 2009 turnover) is the incumbent electricity supplier FDFEE Electrica Furnizare Transilvania Nord, which as all electricity incumbent suppliers has high over due unpaid receivables by state owned companies and especially the National Railway Company (CFR).

### Financial Highlights

- ✓ In 2009 company's sales declined by 2.3% yoy to RON 496m, while operating expenses advanced by 5.2% yoy to RON 506m. Personnel expenses increased by 18% yoy to RON 110.6m, while expenses with third parties services and technological consumption declined by 7% yoy to RON 131.7m and 2% yoy to RON 137m, respectively. On the bottom line 2009 net profit amounted to RON 14m compared to RON 24.2m a year ago.

## Comparables' Operational Data

Company	Total network length	Total energy transported in 2009/2008	Total end consumers
Enel Distributie Dobrogea	35,066km	3,349 GWh/ 3,470 GWh	0.61m
Enel Distributie Muntenia	47,117km	6,017 GWh/ 5,038 GWh	1.13m
Enel Distributie Banat	41,338km	3,858GWh/ 3,961 GWh	0.85m
FDEE Electrica Distributie Muntenia Nord	na	6,302 GWh/ 7,195 GWh	na
FDEE Electrica Distributie Transilvania Sud	50,321km	4,627 GWh/ 4,888 GWh	1.06m
E.ON Distributie Dobrogea	78,940km	4,052 GWh/ 4,296 GWh	na
Praszka Energetika	11,679km	6,339 GWh/ 6,373 GWh	0.74m
ELMU	23,206km	na	na
Interregional Distribution Grid of South Russia	160,611km	29,221 GWh/ 31,915 GWh	na
Interregional Distribution Grid of Ural	113,250km	66,080 GWh/na	na
Interregional Distribution Grid of Volga	262,186km	50,889 GWh/ 55,431 GWh	na

Source: Companies' websites, BRD-GSG

## Key Financial Data&Ratios

	2007	2008	2009
<b>Balance Sheet (RONm)</b>			
<b>Long term assets</b>	<b>964.66</b>	<b>1,235.55</b>	<b>1,303.14</b>
<b>Current assets, o/w</b>	135.01	171.72	168.35
Cash and current accounts	30.93	76.27	69.74
<b>Total assets</b>	<b>1,099.72</b>	<b>1,407.40</b>	<b>1,471.52</b>
Equity	495.08	754.12	768.08
<b>Long term liabilities, o/w</b>	107.20	101.10	74.48
Long term financial debt	49.58	41.29	30.38
<b>Short term liabilities, o/w</b>	215.89	185.96	209.86
Short term financial debt	8.60	34.74	37.93
<b>Total Equity &amp; Liabilities</b>	<b>818.17</b>	<b>1,041.18</b>	<b>1,052.42</b>
<b>Working capital</b>	<b>-80.88</b>	<b>-14.24</b>	<b>-41.51</b>
<b>Net debt(+)/cash(-)</b>	<b>27.25</b>	<b>-0.24</b>	<b>-1.43</b>

<b>Income Statement (RONm)</b>			
<b>Sales</b>	<b>838.92</b>	<b>507.69</b>	<b>495.88</b>
<b>Operating expenses, o/w</b>	<b>835.54</b>	<b>480.95</b>	<b>506.16</b>
Depreciation&amortization expenses	65.96	47.76	69.44
EBITDA	86.55	88.64	90.58
<b>Operating profit/loss(EBIT)</b>	<b>20.59</b>	<b>40.88</b>	<b>21.14</b>
Interest expenses	3.90	4.02	4.38
<b>Net income</b>	<b>11.17</b>	<b>24.22</b>	<b>13.96</b>

<b>Indicator per share (RON/share)</b>			
Sales	22.60	13.67	13.36
EPS	0.30	0.65	0.38
BV	13.33	20.31	20.69

<b>Valuation Ratios(x)</b>			
P/E	na	na	na
P/BV	na	na	na
EV/EBITDA	na	na	na
EV/EBIT	na	na	na

<b>Ratios</b>			
Sales growth	na	-39.5%	-2.3%
Net profit growth	na	116.8%	-42.4%
Total assets growth	na	28.0%	4.6%
EBITDA margin	10.3%	17.5%	18.3%
EBIT margin	2.5%	8.1%	4.3%
Net income margin	1.3%	4.8%	2.8%
Interest coverage (x)	5.28	10.17	4.83
Net debt/equity (x)	0.06	0.00	0.00
ROE	2.3%	3.2%	1.8%
ROA	1.0%	1.7%	0.9%

Source: Prospectus, BRD-GSG

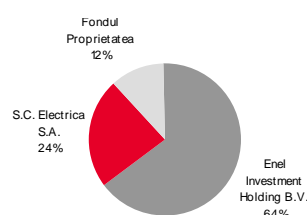
# ENEL DISTRIBUTIE MUNTENIA

## Sector: Electricity Distribution

### Not Listed

**Fair Value of FP's stake** **RON 267.76m**  
**% Fair NAV** **1.94%**

### Shareholders



Source: Prospectus, BRD-GSG

### Company Description

The company's main activity is electricity distribution, but also interconnection services for both producers and consumers and electricity measurement services.

### Similar Companies

#### Domestic market

Enel Distributie Dobrogea, Enel Distributie Banat, CEZ Distributie, E.ON Moldova Distributie, FDFEE Electrica Distributie Transilvania Nord, FDFEE Electrica Distributie Transilvania Sud, FDFEE Electrica Distributie Muntenia Nord

#### External market

Praszka Energetika, ELMU, Interregional Distribution Grid of South Russia, Interregional Distribution Grid of Ural, Interregional Distribution Grid of Volga

### Operational Data

Total network 47,117 km out of which

- 31,613 km low voltage lines
- 14,400 km medium voltage lines
- 1,104 km high voltage lines

Total energy distributed in 2009 and 2008: 6,017 GWh and 5,038 GWh respectively

Total end consumers: 1.13.m

7,192.15 MVA power in transformer stations and posts

### Business Overview

- ✓ S.C. Enel Distributie Muntenia S.A. resulted from the separation of the distribution and supply activities of FDFEE Electrica Muntenia Sud S.A. in accordance with European regulation (Directive 2003/54/EC) and Romanian legislation (Electricity Law no.13/2007).
- ✓ The electricity distribution activity is regulated by the National Authority in the Energy Sector (ANRE) and the tariffs are set through a "tariff basket cap" method allowing for a regulated real return on assets above the costs agreed with the authority. The key indicators are set every five years (current period ends in December 2012) and are annually adjusted for inflation, actual volumes, costs and CAPEX.
- ✓ Enel Distributie Muntenia operates through 3 territorial units: Bucharest, Ilfov and Giurgiu and serves approx. 1.127m end consumers. In 2009 the company distributed 6,017 GWh vs. 5,038 GWh in 2008, corresponding to a market share of 15.19% vs. 13.93% in 2008.

### Key drivers

- ✓ Enel plans to invest over EUR 700m in the next five years for the modernisation of the infrastructure network operated by its three subsidiaries Enel Distributie Banat, Dobrogea and Muntenia. During 2010-2012 period most of the investments will be concentrated on the modernisation of Bucharest network. The investments will increase the value of the regulated assets base (RAB) which is a premise for tariffs and revenues growth as agreed within negotiations with ANRE.

### Key risks

- ✓ The company's estimations for future tariffs and implicitly revenues and profit could be overstated compared to the actual ones approved by ANRE if some capital expenditures or operational costs are not recognized or if the Government decides to freeze the tariffs as a measure of social assistance.

### Financial Highlights

- ✓ The separation of distribution and supply activities was finalised at mid 2008, so the comparison of absolute financial figures from 2009 and 2008 is not relevant. Still we noted a strong improvement of operational and net margins from 3.4% in 2008 to 16.8% in 2009 and from 15.3% in 2008 to 38.2% in 2009 respectively. At the same time ROE advanced from 9.4% in 2008 to 10.4% in 2009.

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## Comparables' Operational Data

Company	Total network length	Total energy transported in 2009/2008	Total end consumers
Enel Distributie Banat	41,338km	3,858 GWh/ 3,961 GWh	0.85m
Enel Distributie Dobrogea	35,066km	3,349 GWh/ 3,470 GWh	0.61m
E.ON Moldova Distributie	78,940km	4,052GWh/ 4,296 GWh	na
FDEE Electrica Distributie Muntenia Nord	na	6,302 GWh/ 7,195 GWh	na
FDEE Electrica Distributie Transilvania Nord	na	4,260 GWh/ 4,474 GWh	na
FDEE Electrica Distributie Transilvania Sud	50,321km	4,627 GWh/ 4,888 GWh	1.06m
Praszka Energetika	11,679km	6,339 GWh/ 6,373 GWh	0.74m
ELMU	23,206km	na	na
Interregional Distribution Grid of South Russia	160,611km	29,221 GWh/ 31,915 GWh	na
Interregional Distribution Grid of Ural	113,250km	66,080 GWh/na	na
Interregional Distribution Grid of Volga	262,186km	50,889 GWh/ 55,431 GWh	na

Source: Companies' websites, BRD-GSG

## Key Financial Data&Ratios

	2007*	2008	2009
<b>Balance Sheet (RONm)</b>			
<b>Long term assets</b>	<b>1,286.47</b>	<b>1,397.87</b>	<b>1,778.51</b>
<b>Current assets, o/w</b>	<b>493.40</b>	<b>1,974.83</b>	<b>2,151.07</b>
Cash and current accounts	148.10	1,773.35	1,854.93
<b>Total assets</b>	<b>1,782.01</b>	<b>3,373.23</b>	<b>3,929.64</b>
Equity	895.43	2,348.20	2,705.20
<b>Long term liabilities, o/w</b>	<b>15.78</b>	<b>0.00</b>	<b>0.00</b>
Long term financial debt	0.00	0.00	0.00
<b>Short term liabilities, o/w</b>	<b>394.66</b>	<b>334.35</b>	<b>302.49</b>
Short term financial debt	0.00	0.00	0.00
<b>Total Equity &amp; Liabilities</b>	<b>1,305.87</b>	<b>2,682.55</b>	<b>3,007.69</b>
<b>Working capital</b>	<b>98.74</b>	<b>1,640.48</b>	<b>1,848.58</b>
<b>Net debt(+)/cash(-)</b>	<b>-148.10</b>	<b>-1,773.35</b>	<b>-1,854.93</b>

<b>Income Statement (RONm)</b>			
<b>Sales</b>	<b>1,720.12</b>	<b>1,440.48</b>	<b>732.67</b>
<b>Operating expenses, o/w</b>	<b>1,715.51</b>	<b>1,447.03</b>	<b>655.48</b>
Depreciation&amortization expenses	38.87	52.53	66.34
EBITDA	91.29	102.02	189.26
<b>Operating profit/loss(EBIT)</b>	<b>52.42</b>	<b>49.49</b>	<b>122.92</b>
Interest expenses	0.00	0.00	0.00
<b>Net income</b>	<b>43.58</b>	<b>220.64</b>	<b>280.05</b>

<b>Indicator per share (RON/share)</b>			
Sales	63.39	53.08	27.00
EPS	1.61	8.13	10.32
BV	33.00	86.53	99.69

<b>Valuation Ratios(x)</b>			
P/E	na	na	na
P/BV	na	na	na
EV/EBITDA	na	na	na
EV/EBIT	na	na	na

<b>Ratios</b>			
Sales growth	na	-16.3%	-49.1%
Net profit growth	na	406.3%	26.9%
Total assets growth	na	89.3%	16.5%
EBITDA margin	5.3%	7.1%	25.8%
EBIT margin	3.0%	3.4%	16.8%
Net income margin	2.5%	15.3%	38.2%
Interest coverage (x)	na	na	na
Net debt/equity (x)	-0.17	-0.76	-0.69
ROE	4.9%	9.4%	10.4%
ROA	2.4%	6.5%	7.1%

\* Before the unbundling of distribution and supply activities finalised in mid 2008

Source: Prospectus, BRD-GSG

# FD FEE ELECTRICA FURNIZARE TRANSILVANIA SUD

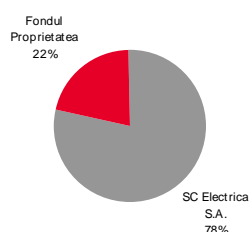
## Sector: Electricity Supply

### Not Listed

Fair Value of FP's stake **RON 70.76m**

% Fair NAV **0.51%**

### Shareholders



Source: Prospectus, BRD-GSG

### Company Description

The company's main activity is electricity supply to end consumers, but also advisory services in connection with the sector and electricity measurement services.

### Similar Companies

#### Domestic market

Enel Energie SA, Enel Energie Muntenia, E.ON Moldova Furnizare, FDFEE Electrica Furnizare Muntenia Nord, FDFEE Electrica Furnizare Transilvania Nord

#### External market

ELMU Nyrt., VST AB

### Operational Data

Total end consumers: 1.064m

Total energy supplied in 2008 and 2009: 3,818GWh and 3,947 GWh

### Business Overview

- ✓ S.C. FDFEE Electrica Furnizare Transilvania Sud S.A. resulted from the separation of the distribution and supply activities of FDFEE Electrica Transilvania Sud S.A. in accordance with European regulation (Directive 2003/54/EC) and Romanian legislation (Government decision no.675/2007) and is one of the seven "incumbent" suppliers for captive consumers.
- ✓ The electricity retail market has two segments regulated and competitive segment. The prices on the regulated segment (for captive consumers) are set up by the National Authority in the Energy Sector (ANRE) allowing for a regulated real return of 2.5% on the costs related to energy supply including energy acquisition cost, distribution, transmission, system services and settlement costs. The prices on the competitive segment are negotiated between the market participants.
- ✓ FDFEE Electrica Furnizare Transilvania Sud acts both on regular and competitive segment of the market and operates through 6 territorial agencies: Alba, Brasov, Covasna, Harghita, Mures and Sibiu providing services for 1.06m end consumers.
- ✓ In 2009 the company supplied 3,947 GWh vs. 3,818 GWh in 2008, corresponding to a market share of 8% on the regulated market to end consumers and 3% on the competitive retail market vs. 8% and 2% respectively in 2008.

### Key drivers

- ✓ In 2009 the actual opening degree of the market was 45%, meaning that around 55% of total consumption represented captive consumers out of which almost half are households. The increase of real opening degree of market will allow electricity suppliers to increase their market share on competitive segment and consequently to post higher revenues and profits.

### Key risks

- ✓ Same as the other "incumbent" electricity suppliers the company has overdue unpaid receivables from state owned companies like the National Railway Company (CFR) and had to record significant provisions for these debts. The issue is on the government agenda but no concrete solutions were yet advanced.
- ✓ The company's estimations for future tariffs and implicitly revenues and profit could be overstated compared to the actual ones approved by ANRE if some operational costs are not recognized or if the Government decides to freeze the tariffs as a measure of social assistance.

### Financial Highlights

- ✓ In 2009 company's sales remained almost flat to RON 1.33bn (-1.4% yoy), same as operating expenses at RON 1.39bn (-0.2% yoy). Still net profit came in at RON 0.83m, more than ten times lower compared to 2008, probably because high financial losses.
- ✓ Around 87.5% of total 2008 turnover represented revenues from the energy supply to captive consumers which pay regulated prices. However, the number of eligible consumers deserved by the company increased in 2009 to 541 compared to 210 a year ago.

## Comparables' Operational Data

Company	Total energy supplied 2009/2008	Number of end consumers
Enel Energie SA	4,716 GWh/ 4,828 GWh	1.46m
Enel Energie Muntenia	4,875 GWh/ 1,770 GWh	1.12m
E.ON Moldova Furnizare	4,158 GWh/ 4,583 GWh	1.3m
FDEE Electrica Furnizare Muntenia Nord	3,722 GWh/ 3,578 GWh	1.26m
FDEE Electrica Furnizare Transilvania Nord	3,060 GWh/ 3,171 GWh	1.16m
ELMU Nyrt	na/7,393 GWh	na
VST AB	3,757 GWh/ 4,020 GWh	0.67m

Source: Companies' websites, BRD-GSG

## Key Financial Data&Ratios

	2007*	2008	2009
<b>Balance Sheet (RONm)</b>			
Long term assets	38.03	29.55	22.64
Current assets, o/w	368.42	317.28	359.17
Cash and current accounts	14.57	9.17	8.38
<b>Total assets</b>	<b>406.47</b>	<b>346.86</b>	<b>383.41</b>
Equity	34.72	44.34	40.33
Long term liabilities, o/w	9.56	0.40	0.57
Long term financial debt	9.34	0.00	0.00
Short term liabilities, o/w	352.81	292.90	335.42
Short term financial debt	10.64	23.85	33.82
<b>Total Equity &amp; Liabilities</b>	<b>397.09</b>	<b>337.64</b>	<b>376.32</b>
<b>Working capital</b>	<b>15.61</b>	<b>24.38</b>	<b>23.75</b>
<b>Net debt(+)/cash(-)</b>	<b>5.41</b>	<b>14.68</b>	<b>25.44</b>

### Income Statement (RONm)

Sales	351.31	1,353.76	1,335.07
Operating expenses, o/w	557.25	1,391.96	1,389.87
Depreciation&amortization expenses	26.83	33.42	39.49
EBITDA	-20.41	-16.65	-28.84
Operating profit/loss(EBIT)	6.42	16.77	10.65
Interest expenses	0.00	0.16	1.90
Net income	0.59	9.71	0.83

### Indicator per share (RON/share)

Sales	176.43	679.87	670.49
EPS	0.30	4.88	0.42
BV	17.44	22.27	20.25

### Valuation Ratios(x)

P/E	na	na	na
P/BV	na	na	na
EV/EBITDA	na	na	na
EV/EBIT	na	na	na

### Ratios

Sales growth	na	285.3%	-1.4%
Net profit growth	na	1545.8%	-91.5%
Total assets growth	na	-14.7%	10.5%
EBITDA margin	-5.8%	-1.2%	-2.2%
EBIT margin	1.8%	1.2%	0.8%
Net income margin	0.2%	0.7%	0.1%
Interest coverage (x)	na	104.81	5.61
Net debt/equity (x)	0.16	0.33	0.63
ROE	1.7%	21.9%	2.1%
ROA	0.1%	2.8%	0.2%

\*2007 figures are for 5 months period since the set up of the company (1 August 2007)

Source: Prospectus, BRD-GSG

# TRANSELECTRICA

## Sector: Electricity Transmission

### Listed/Hold

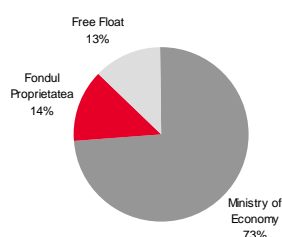
Price (as of 12 Jan'11) **12m TP**  
**RON 21.5** **RON 17.7**

### Last Recommendation

**Hold (TP: RON 16.7)**

Fair Value of FP's stake **RON 212.60m**  
 % Fair NAV **1.54%**

### Shareholders



Source: Prospectus, BRD-GSG

### Company Description

- ✓ energy transmission/dispatching
- ✓ administration of the balancing market

### Similar Companies

#### Domestic market

- monopoly

#### External market

- Elia, Red Electrica, Terna

### Operational Data

The company operates 9,029 km of overhead lines, 78 power substations and 212 main transforming units totalling 36,343 MVA.

### Business Overview

- ✓ As the transmission system operator, the company manages the grid and the dispatch infrastructure, the allocation of interconnection capacity and of green certificates. The company operates the balancing market platform and the trading platform for the centralized market and for green certificates through OPCOM. Transelectrica is in charge of the metering for the wholesale electricity market through fully-owned subsidiary OMEPA. The company transported in 2009 around 52.3 TWh, 11% lower yoy. The transport tariffs are set by the market regulator (ANRE) according to the revenue-cap methodology, which is based on a specific return on the company's regulated asset base.
- ✓ Technological system services are needed to maintain the safe operation of the Romanian Power System and the quality parameters of the electricity transmitted according to the applicable norms. Some of the main components of these services are: primary and secondary control reserves, other electricity reserves, voltage control, reactive electricity for loss coverage, etc. Given the different resources used for each type of system service, the resulting revenues were divided into two separate tariffs, functional and technological.
- ✓ Transelectrica performs the market administration service through its specialized subsidiary OPCOM SA, mainly responsible for providing the trading platform and the settlement of the Day-Ahead Market.

### Key drivers

- ✓ Energy consumption estimated to grow at a 2.5% CAGR until 2018 according to BRD GSG forecasts.
- ✓ The market regulator (ANRE) has approved higher transport tariffs (up by 10.4% yoy) for 2011, a fact that will lead to improved financials for this year.
- ✓ Planned SPO of 15% of the company's share capital by the state.

### Key risks

- ✓ The company is subject to significant regulatory risk, due to the high level of information asymmetry in relation to its market regulator, ANRE.
- ✓ Transelectrica is exposed to currency risk as a consequence of its high leverage and large weight of FX-denominated debt.
- ✓ Capex has been recently revised downwards, a fact that will lead to a lower asset base and implicitly diminished transport tariffs.

### Financial Highlights

- ✓ Operating revenues reached RON 2.55bn in 2009, a decrease of 14.6% yoy, on lower transported quantities (from 58.9m MWh in 2008 to 52.3m MWh in 2009). EBITDA margins have dropped from 15.3% in 2008 to 14% in 2009. The RON depreciation in 2009 caused a financial loss that deteriorated the bottom line, pushing the net profit down to RON 18.3m (64% decrease yoy). In 9M'10, revenues have reached RON 1,815m in 9M'10, up by 1.5% compared to 9M'09. Strong growth in Q3'10 turnover coupled with lower costs and a positive FX result have reversed the negative earnings position registered in H1'10 (-RON 58m) and pushed it to a positive bottom line worth RON 5.2m for 9M'10.



## Comparables' Operational Data\*

Company	EURm Mcapitalization	km Network length	EUR(Th) Opex	EUR(Th/km) Opex/Length
Elia	1,622	8,379	507,900	61
Red Electrica	5,241	34,754	655,264	19
Transelectrica	234	9,029	578,545	64
Terna	689	62,503	666,300	11
National Grid	24,045	116,700	2,331,250	20

\*Figures as of 2009

Source: Companies' websites, BRD-GSG

## Key Financial Data&Ratios

	2007	2008	2009	2010E	2011E
<b>Balance Sheet (RONm)</b>					
Long term assets	2,749.77	2,911.86	3,001.00	3,154.39	3,300.92
Current assets, o/w	729.42	891.22	675.39	708.89	762.80
Cash and current accounts	198.03	217.34	168.35	126.88	102.13
<b>Total assets</b>	<b>3,677.22</b>	<b>4,020.42</b>	<b>3,844.74</b>	<b>3,990.17</b>	<b>4,165.85</b>
Equity	1,910.60	1,934.57	1,904.83	1,919.55	1,998.20
Long term liabilities, o/w	169.28	181.56	267.46	267.46	267.46
Long term financial debt	947.35	1,011.27	947.21	1,015.57	1,046.02
Short term liabilities, o/w	508.30	727.35	522.25	559.83	602.27
Short term financial debt	141.70	165.66	202.99	227.77	251.90
<b>Total Equity &amp; Liabilities</b>	<b>2,588.17</b>	<b>2,843.49</b>	<b>2,694.54</b>	<b>2,746.83</b>	<b>2,867.92</b>
<b>Working capital</b>	<b>221.13</b>	<b>163.87</b>	<b>153.14</b>	<b>149.06</b>	<b>160.53</b>
<b>Net debt(+)/cash(-)</b>	<b>891.02</b>	<b>959.59</b>	<b>981.86</b>	<b>1,116.45</b>	<b>1,195.80</b>
<b>Income Statement (RONm)</b>					
Sales	2,384.44	2,988.07	2,551.64	2,565.41	2,763.99
Operating expenses, o/w	2,032.58	2,530.33	2,195.91	2,218.56	2,355.76
Depreciation&amortization expenses	189.32	240.56	257.12	273.36	275.57
EBITDA	351.86	457.73	355.73	346.85	408.23
<b>Operating profit/loss(EBIT)</b>	<b>162.54</b>	<b>217.18</b>	<b>98.61</b>	<b>73.49</b>	<b>132.65</b>
Interest expenses	37.87	60.19	42.46	57.85	61.49
<b>Net income</b>	<b>50.00</b>	<b>50.37</b>	<b>18.24</b>	<b>18.37</b>	<b>95.19</b>
<b>Indicator per share (RON/share)</b>					
Sales	32.5309	40.7661	34.8119	34.9997	37.7090
EPS	0.6822	0.6872	0.2489	0.2506	1.2986
BV	26.0662	26.3933	25.9875	26.1883	27.2614
<b>Valuation Ratios(x)*</b>					
P/E	34.5	5.2	14.0	64.1	23.3
P/BV	1.5	0.4	0.5	0.8	0.8
EV/EBITDA	10.9	3.9	5.5	7.8	6.8
EV/EBIT	23.5	8.1	20.0	36.6	20.9
<b>Ratios</b>					
Sales growth	na	25.3%	-14.6%	0.5%	7.7%
Net profit growth	na	0.7%	-63.8%	0.7%	418.2%
Total assets growth	na	9.3%	-4.4%	3.8%	4.4%
EBITDA margin	14.8%	15.3%	13.9%	13.5%	14.8%
EBIT margin	6.8%	7.3%	3.9%	2.9%	4.8%
Net income margin	2.1%	1.7%	0.7%	0.7%	3.4%
Interest coverage (x)	4.29	3.61	2.32	1.27	2.16
Net debt/equity (x)	0.47	0.50	0.52	0.58	0.60
ROE	2.6%	2.6%	1.0%	1.0%	4.8%
ROA	1.4%	1.3%	0.5%	0.5%	2.3%

\* Year-end closing price for 2007-2009, closing price as of January 12th for 2010e-2011e

Source: Prospectus, BRD-GSG



# Gas Market

## POLITICAL

- All the market segments (production, transmission, distribution, supply and storage) are regulated by the Romanian Energy Regulatory Authority (ANRE) that sets the tariffs for most of the activities based on different methodologies. Thus, there are always negotiations between companies running the activities and ANRE that should protect to some extent the beneficiaries of the services, especially households gas consumers. The structure of the domestic gas market is presented on the next page. For gas transport, storage distribution and supply, ANRE uses a revenue cap methodology in setting its tariffs for a regulatory period of 5 years, consists in adding the allowed rate of return on the regulated assets base (RAB) to the costs agreed with ANRE (operational expenses and depreciation). The regulated rate of return for storage and transport services is 7.88%, while for distribution and supply services its level reaches 8.63%. The final gas price for captive consumers is settled on a quarterly basis by ANRE.
- Domestic gas producers are trying hard to convince ANRE to change the price for domestic gas, which is kept at 495 RON/cbm since Q2'08 to protect gas consumers. However, the Government can interfere within the tariff settling process by decision in favor to some gas consumers (i.e.: fertilizers were allowed to buy domestic gas at domestic gas price instead of gas basket price between June 2009 – end-October 2010 to support fertilizers activity, whose main costs (aprox. 75%) are related to gas acquisition).
- Political willingness and state's/companies' capability to finance the interconnection pipeline construction that will allow gas exports, but also imports diversification sources (i.e.: at present only one, Russia). These new pipelines will allow Transgaz to increase its transit activity, and hopefully its performance as the transit tariffs are not regulated by ANRE. In 2010 the interconnection pipeline Arad-Szeged (Ungaria) became operational with an annual capacity of 4.4bcm, and there are other two interconnection pipelines planned: Siret –Cernauti (Ucraina) and Giurgiu – Ruse (Bulgaria). The Arad-Szeged pipeline doesn't allow gas exports, but efforts are done to implement it in the near future. Another project that should positively impact Transgaz, mainly, is Nabucco pipeline that would transport gas from Turkey to Austria. The pipeline has an annual capacity of 31bcm, is 4.042 km long, out of which 457 km will transit Romania. The latest investment valuation of the project is EUR 7.9bn, Transgaz owning 16.6% of the company that is going to build it.
- Despite that the market is entirely opened since 2007, the actual opening degree reached 56.35% as of end-Sept'10, increasing from 33.88% in 2003.
- The state through its representatives' body gave concessions rights for exploitation and exploration for Romgaz and OMV Petrom.

## ECONOMICAL

- Domestic gas production declined significantly in the past twenty years, from 36bcm in mid-'80s to 11bcm in 2009, due to decrease of natural gas reserves and high depletion of gas fields. The current natural gas reserves are estimated at 141bcm which are going to be wasted in 15 years, according to government's *Strategy for Energy Sector for 2007-2020*. Reserve replacement ratio for Romgaz and, even OMV Petrom gas resources is low compared to its peers.
- The decline in domestic gas production leads to increased dependency of imports. At present (2010) there is only one source of imports (i.e.: Russia), due to the lack of interconnection pipelines. Thus, as we stated above is very important to build interconnection pipelines.
- Domestic gas consumption declined in the past two years (i.e.: 2008: -5.1% yoy; 2009: -14.9% yoy) along with economic recession, but we should see a recovery driven by the economic rebound in H2'11.
- A key driver for companies active on gas market is the convergence of domestic gas price with EU levels.

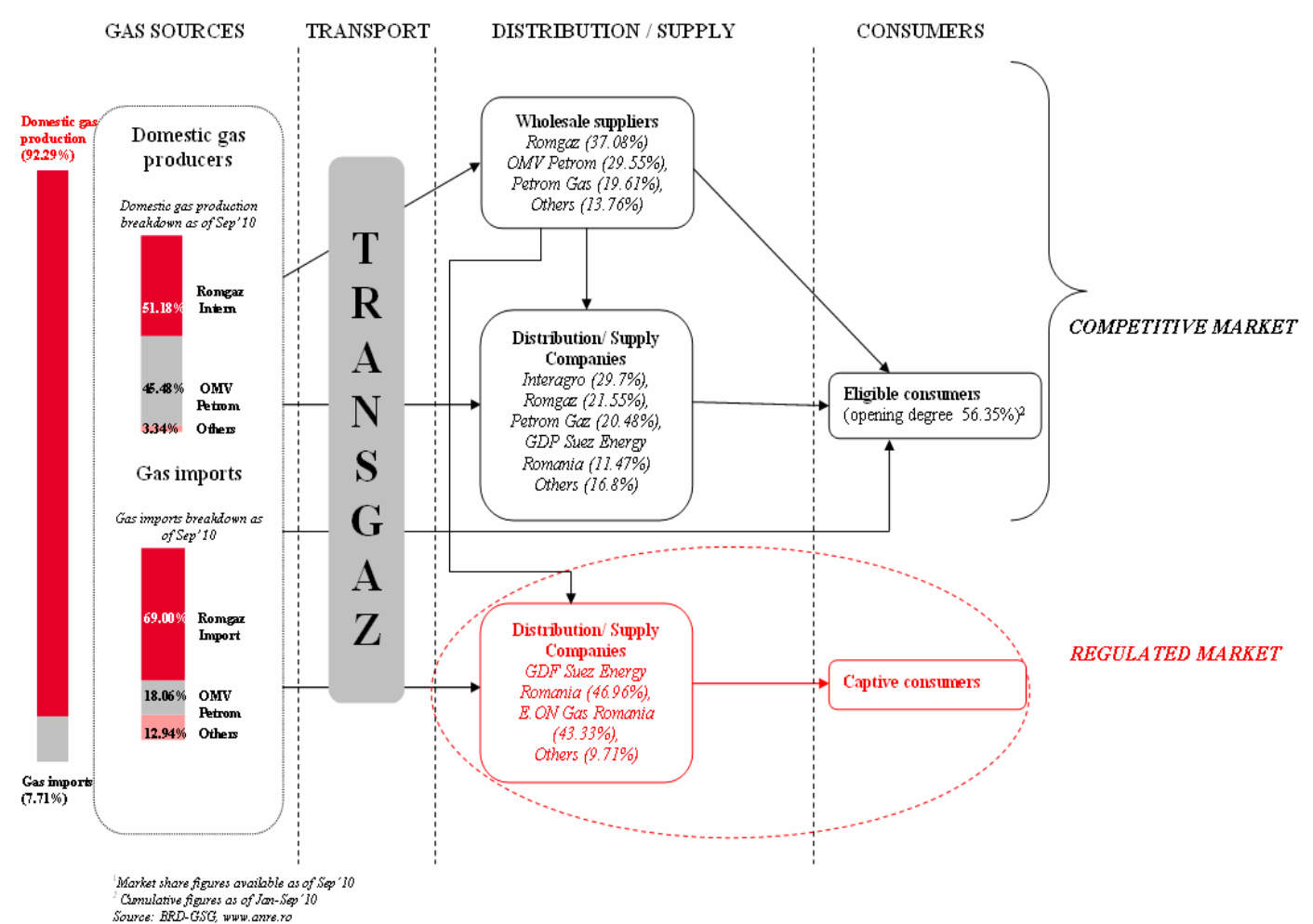
## SOCIAL

- In setting prices and tariffs, ANRE should take into consideration that most of captive consumers are households (22.41% of total consumers) as of end-2009.
- The gas supplied to captive consumers accounted for 23.05 GWh (-2% yoy) of the total consumption of 41.58GWh (-9% yoy) in 2009. So, captive consumers' consumption was negatively impacted to a lower extent compared to consumers' demand on the free market.

## TECHNOLOGICAL

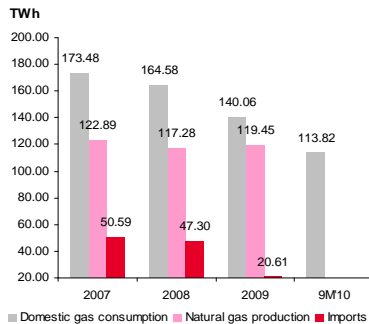
- Transgaz has the right to utilize the gas pipelines with a length of 13.097 km (o/w 560 km are transit pipelines) and a transportation capacity of 40bcm for 10% of the domestic and transit revenues by 2032. However, almost all of its assets reached the end of their economical life duration.
- Low storage capacity is represented by 8 gas storages with a capacity of 3.2bcm. Romgaz plans to increase its storage capacity by 40% by 2015, whilst Gaz de France plans to triple its capacity up to 1.2bcm by the end of 2012.

## Domestic gas market structure<sup>1</sup> (Fig.4)



# Gas market anatomy

## Gas consumption, production and imports

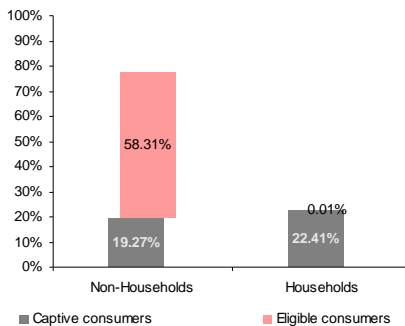


(TWh)

Natural gas production covered more than 70% of the domestic gas consumption for 2007-2009.

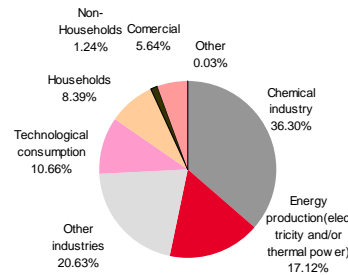
Source: ANRE reports, BRD-GSG

## Consumers' breakdown (as of end-2009)



Households are captive consumers, only 0.01% are eligible consumers.

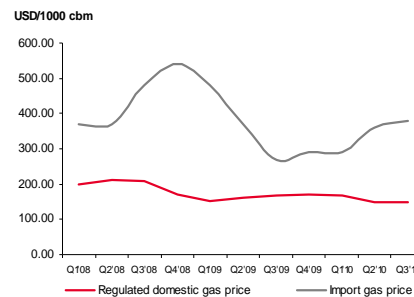
## Final gas consumers (as of 30 Sept'10)



Chemical industry and energy production the largest gas consumers, 53.42% of total as of 30 Sep'10.

Source: ANRE reports, BRD-GSG

## Import vs. regulated domestic gas price

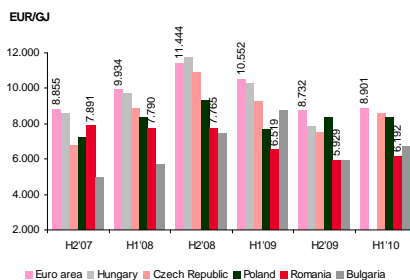


(USD/1000 cbm)

Regulated price for domestic gas producers settled by ANRE at 495 RON/1000 cbm is unchanged since Q2'08.

Source: OMV Petrom Interim Results Reports

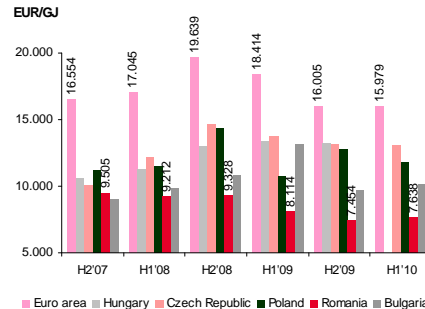
## Prices for industrial consumers (EUR/GJ)



Starting with H1'09, Romania has the lowest price for gas industrial consumers among neighbouring countries, according to Eurostat data.

Source: Eurostat, BRD-GSG

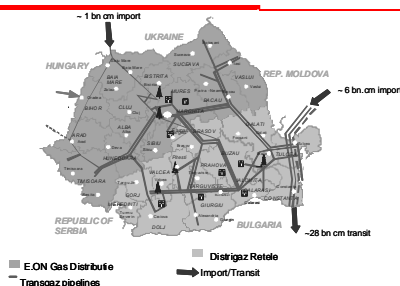
## Prices for domestic consumers (EUR/GJ)



Romania has the lowest gas price for domestic consumers for H1'08-H1'10, according to Eurostat data.

Source: Eurostat, BRD-GSG

## Gas transmission and distribution pipes



Interconnection plans:
 

- with Hungary (Szeged – Arad – for gas export); with Bulgaria – (Russe – Giurgiu); with Serbia.
- There are two pipes for gas imports (Isaccea and Mediesu Aurit).
- Negru Voda pipe is used for gas transit from Russia to SE Europe.

Source: Transgaz, Prospectus

## Pipeline projects



Source: BBC, Prospect

One of the largest interconnection gas pipeline is Nabucco (Transgaz owns 16.67% of the project) with a max. capacity of 31 bn cbm/year. It will transport gas from Turkey to Austria.

# ROMGAZ

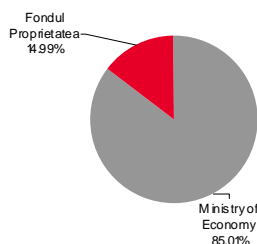
## Sector: Gas Production

### Not Listed

**Fair Value of FP's stake RON 1,306.81m**

**% Fair NAV 9.49%**

### Shareholders



Source: Prospectus, BRD-GSG

### Company Description

Romgaz exploits and produces natural gas, owning the largest domestic storage capacities. The company carries out exploration/development/production operations in 8 concession blocks in Romania. In 2008 Romgaz became co-owner of 25% petroleum rights and obligations in 3 blocks from Slovakia and of 30% of petroleum rights and obligations in 2 blocks from Poland.

### Similar Companies

#### Domestic market

Gas production: OMV Petrom (47.3%), Wintershall Medias, Amromco, Toreador, Aurelian Oil&Gas

Storage facilities: Amgaz (35% owned by Romgaz), Depomures (35% owned by Romgaz)

#### External market

Novatek, BG Group, PGNIG

### Operational Data

The company owns 153 production fields, most of them being exploited for more than 25-30 years, leading to a natural decline in company's production. Also, it owns 3,600 wells with an annual maximum output of up to 7bcm, 6 underground warehouses with a total capacity of 2.8bcm out of total domestic storage capacity of 3.2bcm.

### Business Overview

- ✓ SNGN Romgaz with its current activities was set up subsequent to several changes of gas industry decided by the Government. Thus, Romgaz as it is now, was founded in 2001 based on a Government Decision no 575/25 June 2001, by merging two companies with the same object of activity, Exprogaz SA and Depogaz SA.
- ✓ Its main activities gas exploration, drilling, production and gas storage are regulated by two national authorities: Romanian Energy Regulatory Authority (ANRE) and National Agency for Mineral Resources (ANRM). ANRE sets the price for domestic gas production.
- ✓ As regards the storage activities, Romgaz is one of the three companies authorized to provide storage facilities. Once again, ANRE sets the tariffs for gas storage based on revenue cap methodology. For the current 5-year regulatory period ending in 2012, the allowed return is 7.88% on regulated asset base above the costs agreed with ANRE.
- ✓ Romgaz produced 51.8% of total domestic gas volumes worth 11 bcm in 2009 and covered approx. 47% of total domestic gas consumption.
- ✓ Romgaz extracted 5.79bcm of natural gas in 2009 and sold 5.56bcm (vs. 5.58bcm in 2008) to its clients. In 2009, 69.8% (3.88 bcm) of total natural gas was sold to eligible consumers compared to 49.2% in 2008.
- ✓ Main clients for methane, according with the Prospectus, are: Interagro (20.3%), Electrocentrale Bucuresti (14.1%), GDF Suez Energy Romania (14.8%), E.ON Gaz Romania (13.9%), Azomures (10.5%).

### Key drivers

- ✓ Higher prices for domestic gas produced in line with international levels.
- ✓ Interconnection pipelines to be build in order the company to have the possibility of exporting the gas produced.
- ✓ Further cooperation with its partners to exploit concessions in Romania and/or abroad. Currently, in 15 blocks in Romania, Romgaz runs its activity together with Wintershall AG, Amromco Energy (subsidiary of Amromco Energy Houston), Aurelian Oil&Gas and Europa Oil&Gas and Schlumberger Logelco.
- ✓ Joint venture with domestic/foreign companies to build gas storages to assure continuously the natural gas for consumers during the year. Romgaz' management intends to increase company's storage capacity by 40% up to 3.9bcm by 2015.
- ✓ The increase of the opening degree of the market. The gas market is free since July 2007, but the opening degree is 56.4% cumulative for Jan-Sept'10, namely only 56.4% are eligible consumers (can negotiate the terms of contract, including the price).
- ✓ Romanian Government approved the listing of 15% of the company's share on BSE.

### Key risks

- ✓ The continuous natural gas reserve decline will impact negatively company's performance on the medium-long run. This decrease should be offset by significant CAPEX for discovering new fields.
- ✓ Delays in domestic gas price convergence to the international levels.
- ✓ Government regulations that might be in the benefit of some of Romgaz' clients.
- ✓ Romanian state, as major shareholders, might make decisions to hamper value creation for company's shareholders (i.e.: the state decided that the company should donate RON 400m to Romanian state budget in 2010)

### Financial highlights

- ✓ In 2009, company's sales declined by 2.6% yoy to RON 3.19bn, but net profit posted an increase of 6.5% yoy to RON 572.5m. Company's margins did not post any significant change in the past two year, as EBITDA margin stood at approx. 57%, EBIT margin at 22%, whilst net profit increased from 16.4% in 2008 to 17.9% in 2009.

## Comparables' Operational Data

mm boe			mm boe		
Gas production/Company	2008	2009	Reserves	2008	2009
Novatek	223.00	240.00	Novatek	4,963	6,853
BG Group	160.80	168.50	BG Group	13,126	14,494
PGNIG	26.1	26.4	PGNIG	587	616

Source: Companies' websites, BRD-GSG

Company	Implied EV 2009 (EURm), based on			Implied EV 2009 / Reserves (EUR/boe), based on		
	P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
Romgaz	1,689.19	1,883.05	1,287.07	2.98	3.33	2.27

Source: Companies' websites, BRD-GSG

Company	EV'09 (Mn EUR)	2009 EV/Reserves (EUR/boe)
PGNIG	5,598.96	9.09
Novatek	34,100.00*	6.87 *

\*Based on 2008 market capitalization

Source: Companies' websites, FactSet, BRD-GSG

## Key Financial Data & Ratios

	2007	2008	2009
<b>Balance Sheet (RONm)</b>			
Long term assets	3,195.76	5,177.98	5,515.86
Current assets, o/w	2,410.41	3,077.94	3,539.00
Cash and current accounts	1,624.14	1,044.43	773.77
<b>Total assets</b>	<b>5,607.73</b>	<b>8,259.44</b>	<b>9,060.47</b>
Equity	5,070.84	7,584.57	8,308.49
Long term liabilities, o/w	19.11	16.99	11.97
Long term financial debt	19.11	16.99	11.97
Short term liabilities, o/w	327.41	401.57	454.98
Short term financial debt	4.31	5.32	5.86
<b>Total Equity &amp; Liabilities</b>	<b>5,417.36</b>	<b>8,003.13</b>	<b>8,775.44</b>
<b>Working capital</b>	<b>2,083.00</b>	<b>2,676.37</b>	<b>3,084.02</b>
<b>Net debt(+)/cash(-)</b>	<b>-1,600.72</b>	<b>-1,022.12</b>	<b>-755.94</b>

<b>Income Statement (RONm)</b>			
Sales	3,271.66	3,280.21	3,193.50
Operating expenses, o/w	2,816.95	2,976.47	2,845.01
Depreciation & amortization expenses	301.33	342.75	575.10
EBITDA	1,866.12	1,884.47	1,826.89
<b>Operating profit/loss (EBIT)</b>	<b>760.08</b>	<b>719.19</b>	<b>716.87</b>
Interest expenses	3.31	2.25	1.88
<b>Net income</b>	<b>509.56</b>	<b>537.30</b>	<b>572.46</b>

<b>Indicator per share (RON/share)</b>			
Sales	85.45	85.64	83.37
EPS	13.31	14.03	14.95
BV	132.44	198.01	216.91

<b>Valuation Ratios (x)</b>			
P/E	na	na	na
P/BV	na	na	na
EV/EBITDA	na	na	na
EV/EBIT	na	na	na

<b>Ratios</b>			
Sales growth	na	0.3%	-2.6%
Net profit growth	na	5.4%	6.5%
Total assets growth	na	47.3%	9.7%
EBITDA margin	57.0%	57.4%	57.2%
EBIT margin	23.2%	21.9%	22.4%
Net income margin	15.6%	16.4%	17.9%
Interest coverage (x)	229.96	319.41	382.24
Net debt/equity (x)	-0.32	-0.13	-0.09
ROE	10.0%	7.1%	6.9%
ROA	9.1%	6.5%	6.3%

Source: Prospectus, BRD-GSG

# TRANSGAZ

## Sector: Gas Transmission

### Listed/ Hold

Price (as of 12 Jan'11) **12m TP**  
**RON 280.0** **RON 282.1**

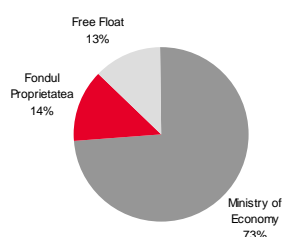
### Last Recommendation

**Hold (TP: RON 246.2)**

Fair Value of FP's stake **RON 493.84m**

% Fair NAV **3.59%**

### Shareholders



Source: Prospectus, BRD-GSG

### Company Description

- ✓ gas transmission/dispatching
- ✓ gas transit

### Similar Companies

#### Domestic market

- monopoly

#### External market

- Enagas, Snam Rete

### Operational Data

The company operates 13,097km of pipelines with a transport capacity of around 40bcm per year. The National Transport System comprises 9 regional transmission subsystems and 53 sectors.

### Business Overview

- ✓ As the technical operator of the National Transmission System (NTS), Transgaz ensures the connection between natural gas producers/suppliers on one side and distributors/consumers on the other side.
- ✓ The legal right to operate the NTS was granted to Transgaz by the National Agency for Mineral Resources based on a concession agreement valid until 2032, in exchange of a 10% royalty fee on the domestic and transit transport revenues. The gas transportation pipelines are state property, and at the end of the concession period the company has the obligation to return them to their owner. The transport tariffs are set by the market regulator (ANRE) according to the revenue-cap methodology, which is based on a specific return on the company's regulated asset base.
- ✓ The natural gas transit activity is carried out exclusively through dedicated major pipelines according to the transit contracts and, therefore, the resulting revenues are not regulated. Transgaz concluded two contracts with Gazprom regarding the transit of Russian natural gas over the Romanian territory and another agreement with Bulgargas for the gas acquired by the latter.
- ✓ The company transported 11,549m cm in 2009, 15% lower than in 2008. In the first nine months of 2010, Transgaz has transported 576m cm more than in the same period of last year.

### Key drivers

- ✓ Gas consumption estimated to grow at a 4% CAGR until 2018 according to BRD GSG forecasts
- ✓ Planned SPO of 15% of the company's share capital by the state
- ✓ A long-term catalyst for company's earnings might reside in the successful development of the Nabucco project, which will facilitate gas transit from sources other than Russia towards Euro zone

### Key risks

- ✓ The company is subject to significant regulatory risk, due to the high level of information asymmetry in relation to its market regulator, ANRE
- ✓ Transport tariffs have not been changed for the gas year 2010/2011, as the NTS operator should have been compensated for a higher asset base following new investments put into place
- ✓ Nabucco project is subject to political risk

### Financial Highlights

- ✓ Revenues have reached RON 1.21bn, 7% higher than last year, as lower demand of gas has been mitigated by a depreciating RON and by higher tariffs starting with August 2009. EBIT surged by 60% yoy to RON 307m, while net profit amounted to RON 191m, a 21% decrease compared to the RON 243m generated a year ago. In the first nine months of 2010, turnover climbed to RON 915.7m (up by 13.6% yoy) and a net profit reached RON 284m (up by 50.1%).

## Comparables' Operational Data\*

Company	EURm Mcapitalization	km Network length	EUR(Th) Opex	EUR(Th/km) Opex/Length
Enagas	3,688	9,194	416,700	45.3
Snam Rete	12,492	31,531	1,194,000	37.9
Transgaz	447	13,097	214,010	16.3

\* Figures as of 2009

Source: Companies' websites, BRD-GSG

## Key Financial Data&Ratios

	2007	2008	2009	2010E	2011E
<b>Balance Sheet (RONm)</b>					
Long term assets	2,658.77	2,718.54	2,942.63	3,078.46	3,127.08
Current assets, o/w	207.20	296.75	295.59	312.03	333.20
Cash and current accounts	366.62	301.59	196.57	394.05	407.06
<b>Total assets</b>	<b>3,232.59</b>	<b>3,316.88</b>	<b>3,434.79</b>	<b>3,784.54</b>	<b>3,867.34</b>
Equity	2,562.81	2,691.77	2,759.68	2,969.75	2,958.74
Long term liabilities, o/w	224.84	168.53	286.89	286.89	286.89
Long term financial debt	122.05	99.07	41.57	168.97	114.42
Short term liabilities, o/w	248.85	285.41	287.50	318.47	338.32
Short term financial debt	74.04	72.08	59.15	40.46	168.97
<b>Total Equity &amp; Liabilities</b>	<b>3,036.50</b>	<b>3,145.72</b>	<b>3,334.07</b>	<b>3,575.11</b>	<b>3,583.94</b>
<b>Working capital</b>	<b>-41.64</b>	<b>11.34</b>	<b>8.09</b>	<b>-6.45</b>	<b>-5.12</b>
<b>Net debt(+)/cash(-)</b>	<b>-170.53</b>	<b>-130.43</b>	<b>-95.84</b>	<b>-184.62</b>	<b>-123.66</b>
<b>Income Statement (RONm)</b>					
Sales	1,043.41	1,132.95	1,213.99	1,316.22	1,405.52
Operating expenses, o/w	705.72	766.50	722.69	760.52	890.31
Depreciation&amortization expenses	167.07	174.47	184.72	184.45	193.10
EBITDA	337.68	366.45	491.30	555.70	515.21
<b>Operating profit/loss(EBIT)</b>	<b>170.62</b>	<b>191.98</b>	<b>306.59</b>	<b>371.25</b>	<b>322.11</b>
Interest expenses	15.77	35.17	20.80	12.36	9.04
<b>Net income</b>	<b>139.97</b>	<b>242.70</b>	<b>191.18</b>	<b>323.37</b>	<b>286.02</b>
<b>Indicator per share (RON/share)</b>					
Sales	88.62	96.23	103.11	111.79	119.38
EPS	11.89	20.61	16.24	27.46	24.29
BV	217.67	228.62	234.39	252.23	251.30
<b>Valuation Ratios*(x)</b>					
P/E	22.04	12.86	7.51	10.19	11.53
P/BV	1.20	1.16	0.52	1.11	1.11
EV/EBITDA	8.63	8.16	2.73	5.60	6.16
EV/EBIT	17.08	15.57	4.37	8.38	9.85
<b>Ratios</b>					
Sales growth	na	8.6%	7.2%	8.4%	6.8%
Net profit growth	na	73.4%	-21.2%	69.1%	-11.5%
Total assets growth	na	2.6%	3.6%	10.2%	2.2%
EBITDA margin	32.4%	32.3%	40.5%	42.2%	36.7%
EBIT margin	16.4%	16.9%	25.3%	28.2%	22.9%
Net income margin	13.4%	21.4%	15.7%	24.6%	20.3%
Interest coverage (x)	10.82	5.46	14.74	30.03	35.65
Net debt/equity (x)	-0.07	-0.05	-0.03	-0.06	-0.04
ROE	5.5%	9.0%	6.9%	10.9%	9.7%
ROA	4.3%	7.3%	5.6%	8.5%	7.4%

\* Year-end closing price for 2007-2009, closing price as of January 12th for 2010E-2011E

Source: Prospectus, BRD-GSG



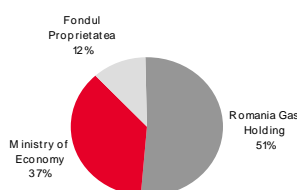
# GDF SUEZ ENERGY ROMANIA

## Sector: Gas Supply

### Not Listed

**Fair Value of FP's stake** **RON 281.5m**  
**% Fair NAV** **2.04%**

### Shareholders



Source: Prospectus, BRD-GSG

### Company Description

The company's main activity is natural gas supply to end consumers, but also gas trade and support activities for supply and distribution of natural gas.

### Similar Companies

#### Domestic market

E.ON Gas Romania

#### External market

Latvijas Gaze, Lietuvos Dujos

### Operational Data

Total gas supplied in 2008 and 2009: 32,637 GWh and 34,256 GWh

Total end consumers: 1.3m

### Business Overview

- ✓ GDF Suez Energy Romania is the former Distrigaz Sud, one of the two distribution and supply companies resulted from the unbundling of the vertical integrated state owned energy company Romgaz.
- ✓ In 2005 Distrigaz Sud was privatised with Gas de France and in June 2006 the 51% stake was transferred to Romania Gas Holding a company affiliated to Gas de France and having EBRD and IFC as shareholders with 10% stake each. In 2008 the company divided the distribution and supply activities according to EU legislation (Distrigaz Sud – supply activity and Distrigaz Sud Retele – owned by Distrigaz Sud, distribution activity) and in 2009 the name was changed into GDF Suez Energy Romania.
- ✓ Gas supply activity is regulated and supervised by the National Authority in the Energy Sector (ANRE). The tariffs are set up based on RAB methodology with regulated periods of five years (current period ends December 2012). The gas price is set up based on a regulated return applied to the regulated assets base (RAB) and operating costs agreed with the Authority including regulated depreciation. The price is then adjusted annually for inflation, actual volumes, costs and CAPEX.
- ✓ Romanian gas supply market has two segments: competitive (including eligible consumers) and regulated (including the captive consumers). Although since January 2007 the market is completely free in theory the real open degree of the market reached 56.47% at end 2009.
- ✓ In 2009 GDF Suez Energy Romania supplied 32,637 GWh vs. 34,256 GWh in 2008, corresponding to a market share of 49.17% on the regulated market and 10.84% on the competitive market vs. 46.41% and 12.72% respectively in 2008.

### Key drivers

- ✓ In 2009 the company had an investment budget of RON 222m for pipelines modernisation and extension and branching. The investments will increase the value of the regulated assets base (RAB) which is a premise for tariffs and revenues growth as agreed within negotiations with ANRE.

### Key risks

- ✓ The company's estimations for future tariffs and implicitly revenues and profit could be overstated compared to the actual ones approved by ANRE if some capital expenditures or operational costs are not recognized or if the Government decides to freeze the tariffs as a measure of social assistance. Currently domestic gas price is significant lower compared to imported gas price and the convergence timing is not clearly specified.

### Financial Highlights

- ✓ In 2009 company's sales slipped by 2.9% yoy to RON 3.63bn on the back of lower gas volumes supplied, while operating expenses declined by 11% yoy to RON 3.23bn. Net profit almost doubled compared to 2008 at RON 380.4m corresponding to a net margin of 10.5% (vs. 3.4% in 2008).



## Comparables' Operational Data

Company	Total gas supplied 2009/2008	Number of end consumers
E.ON Gas Romania	30,623 GWh/ 40,760 GWh	1.5m
Latvijas Gaze	na	0.44m
Lietuvos Dujos	1,151m mcl/1,223m mc	0.55m

Source: Companies' websites, BRD-GSG

## Key Financial Data&Ratios

	2007	2008	2009
<b>Balance Sheet (RONm)</b>			
Long term assets	2,194.76	2,395.28	2,551.01
Current assets, o/w	1,203.99	1,142.67	1,239.55
Cash and current accounts	138.82	-77.13	142.50
<b>Total assets</b>	<b>3,401.13</b>	<b>3,540.30</b>	<b>3,792.50</b>
Equity	2,319.85	2,260.85	2,521.74
Long term liabilities, o/w	216.24	436.24	428.01
Long term financial debt	213.39	435.16	427.72
Short term liabilities, o/w	643.54	767.87	727.00
Short term financial debt	74.59	49.62	9.60
<b>Total Equity &amp; Liabilities</b>	<b>3,179.63</b>	<b>3,464.96</b>	<b>3,676.75</b>
<b>Working capital</b>	<b>560.45</b>	<b>374.80</b>	<b>512.55</b>
<b>Net debt(+)/cash(-)</b>	<b>149.16</b>	<b>561.91</b>	<b>294.82</b>

<b>Income Statement (RONm)</b>			
Sales	3,215.15	3,737.74	3,628.83
Operating expenses, o/w	3,063.69	3,634.76	3,233.06
Depreciation&amortization expenses	142.66	167.97	90.59
EBITDA	372.08	317.14	537.31
<b>Operating profit/loss(EBIT)</b>	<b>229.42</b>	<b>149.17</b>	<b>446.72</b>
Interest expenses	18.22	39.45	57.79
<b>Net income</b>	<b>182.35</b>	<b>128.58</b>	<b>380.38</b>

<b>Indicator per share (RON/share)</b>			
Sales	181.32	210.79	204.64
EPS	10.28	7.25	21.45
BV	130.83	127.50	142.21

<b>Valuation Ratios(x)</b>			
P/E	na	na	na
P/BV	na	na	na
EV/EBITDA	na	na	na
EV/EBIT	na	na	na

<b>Ratios</b>			
Sales growth	na	16.3%	-2.9%
Net profit growth	na	-29.5%	195.8%
Total assets growth	na	4.1%	7.1%
EBITDA margin	11.6%	8.5%	14.8%
EBIT margin	7.1%	4.0%	12.3%
Net income margin	5.7%	3.4%	10.5%
Interest coverage (x)	12.59	3.78	7.73
Net debt/equity (x)	0.06	0.25	0.12
ROE	7.9%	5.7%	15.1%
ROA	5.4%	3.6%	10.0%

Source: Prospectus, BRD-GSG

# Airports Sector

## POLITICAL

- The activity of the airports is running according to the regulations published by the Romanian Civil Aviation Authority, which is a specialized technical body of the Ministry of Transportation and Infrastructure.
- Passenger tariff, landing tariff, lighting tariff, parking tariff are settled based on negotiations with airline companies and in compliance with some international guidelines issued in this respect. However, the tariffs settled are submitted for a formal approval to the Romanian Civil Aviation Authority. A special tariff for each airport is the security tariff established in accordance with Order no. 1322/2002, being applicable to each carrier for each passenger embarking on commercial flights in Romanian civil airports. The amounts raised from these tariffs are used only to supplement the funding sources for activities and works approved by the Ministry of Transportation and Infrastructure in relation to airport security.
- The future activity of the airports can be influenced also by the Government's strategy as regards Transportation and by possible subsidies supporting investments plans of the companies running specific transportation activities.
- The Government may arbitrarily decide to enlarge or reduce airports' activities.

## ECONOMICAL

- There is no domestic statistics breakdown referring to transportation activities contribution to GDP. However, all services account for more than 45% GDP.
- Despite the economic decline in 2009, the air passenger traffic figures remained unchanged in 2009 and the latest figures (9M'10) point to the same pattern for 2010. Thus, we estimate that an economic recovery seen for H2'11 should be translated in better figures for airports' activity compared with previous years .
- The need for airports enlargement to become a significant hub to destinations in CEE will help domestic airports to diversify its revenues base (more than 80% are stemming from aviation activities vs. below 60% of their peers).
- Also, higher investments might convert into higher loans whose costs will impact companies' performance.
- In 2007 the Government decided to sell 5% of the shares of the companies which operate Henri Coanda Airport, Aurel Vlaicu Baneasa Airport, Mihail Kogalniceanu Constanta Airport, and Timisoara Traian Vuia Airport, using BSE platform. The process was suspended in 2008, without any information regarding to its re-launching.

## SOCIAL

- The largest part of passengers was accounted as using road transportation in domestic statistics for the past three years. The same pattern is exhibited by cargo transportation.
- Considering higher costs incurred by air transportation we don't see the situation to change significantly in the next years, but is highly expected to see an increase of air transportation contribution to overall transportation activity.

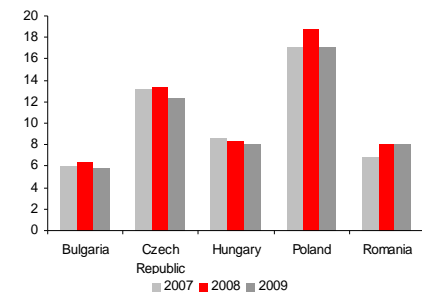
## TECHNOLOGICAL

- As regards technology, the airports have a high technology endowment for running their activity, especially for offering high security services in line with international security standards issued in this regard.

# Airports sector anatomy

## Passengers' air traffic (mn passengers)

Mn passengers

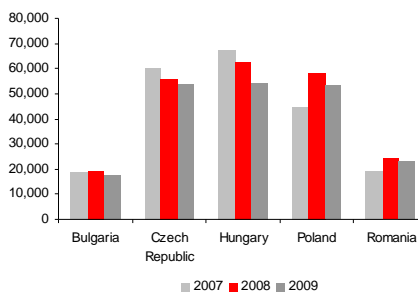


Romania has one of the lowest number of air traffic passengers among its peers.

Source: Eurostat, BRD-GSG

## Cargo air transportation (tons)

Tons

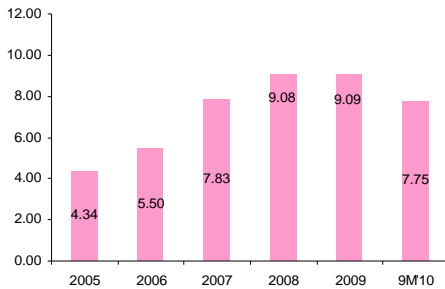


Romania has one of the lowest cargo air transportation among its peers.

Source: Eurostat, BRD-GSG

## Passengers evolution (mn passengers)

Mn passengers



In Romania, the number of air traffic passengers was flat in 2009 vs. 2008 in spite of 7.1% yoy GDP decline.

Source: Prospectus, www.mt.ro, BRD-GSG

## Aircraft movements evolution (thousands)

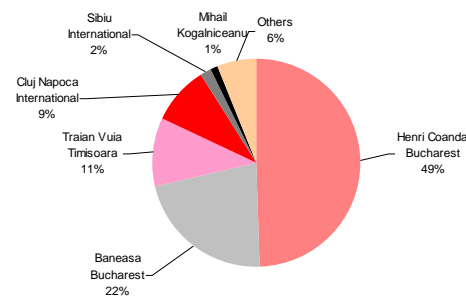
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In Romania, the number of aircraft movements increased by 6.7% yoy in 2009 in spite of 7.1% yoy GDP decline.

Source: Prospectus, www.mt.ro, BRD-GSG

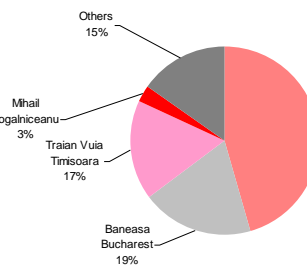
## Airports market share (passengers) in 2009



Bucharest airports concentrate over 71% of total passengers traffic.

Source: Prospectus, BRD-GSG

## Airports market share (aircraft movements) in 2009

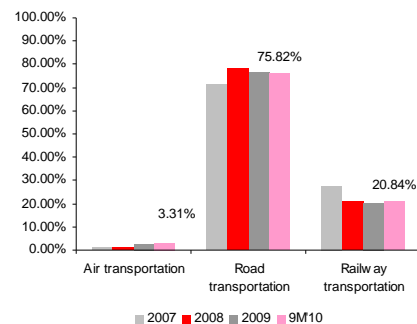


Bucharest airports concentrate 64% of aircrafts activity.

Source: Prospectus, BRD-GSG

## Passengers' transportation breakdown (%)

%

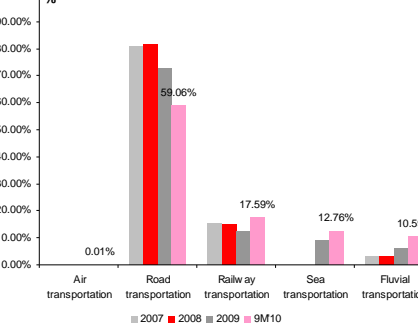


Passengers in Romania use to a very low extent air transportation. However, the weight of air passengers' traffic increased significantly in the past two years.

Source: www.mt.ro, BRD-GSG

## Cargo transportation breakdown (%)

%



In Romania, goods are transported to a low extent by airplanes.

Source: www.mt.ro, BRD-GSG

# Aeroporturi Bucuresti

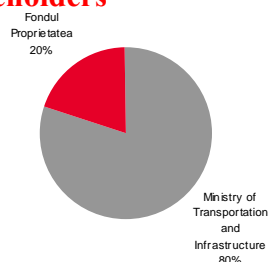
## Sector: Airports services

### Not Listed

**Fair Value of FP's stake** **RON 200.89m**

**% Fair NAV** **1.46%**

### Shareholders



Source: Prospectus, BRD-GSG

### Company Description

CN Aeroporturi Bucuresti is a result of the merger between Aeroportul International Henri Coanda Bucuresti (AIHCB) and Aeroportul International Bucuresti Baneasa Aurel Vlaicu (AIBBAV) that became effective in February 2010. The company provides airports services for passengers, cargo and mail transportation.

### Similar Companies

#### Domestic market

Aeroportul International Traian Vuia Timisoara, Aeroportul International Mihail Kogalniceanu Constanta

#### External market

Flughafen Wien, Aeroporto di Firenze-A.d.F. S.p.A.; Gemina S.p.A.

### Operational Data

The two airports (Henri Coanda and Aurel Vlaicu) under company's management ensure aprox. 71% of the passengers in Romania as of 2009.

Henri Coanda has 2 runways, 3.5km long each of them and can process 1,200 pax/peak hour for international flights and 270pax/peak hour for domestic ones. Aurel Vlaicu airport has 1 runway, 3.2km long and can process 1,000 pax/hour.

### Business Overview

- ✓ The activity of the airports is running according to the regulations published by the Romanian Civil Aviation Authority, which is a specialized technical body of the Ministry of Transportation and Infrastructure. However, the tariffs are negotiated with the airline companies and are referring to passengers, airplane landing, airplane parking and other handling activities.
- ✓ Henri Coanda airport is the largest Romanian airport processing 4.48m passengers (-11.5% yoy) aprox. 49% of total passengers of 9.09m in 2009. It is a Hub for Tarom (state-owned airline company) and provides services to 33 airline companies, assuring transportation to 42 international destinations and 10 domestic ones. Aurel Vlaicu airport provides services, mainly, to low-cost companies and processed 1.97m passengers (+14.48% yoy) in 2009.
- ✓ Henri Coanda, main revenues stem from main airport activities (over 82% in the past two years), whilst parking, utilities and protocol services generate around 9% of company's turnover. Airport taxes account for 88.6% on average for 2008-2009 of Aurel Vlaicu sales, higher compared with their peers' weight (aprox. 48%-51% on avg.), due to the fact that domestic airports don't offer many connections with other destinations.
- ✓ Total revenues per passengers for domestic airports were 66% lower than the average of its peers considered, mainly due to revenues structure above mentioned.

### Key drivers

- ✓ The extension of the airports' terminal along with the shopping area. Company's investment plan is drafted according to the national strategy of the Ministry of Transportation. It is planned that the extension of the terminal up to 6 m passengers per year to be ready by the end of 2012. The investments amount to EUR 150m. Another EUR 450m will be invested for the passengers' terminal modules and associated capacities.
- ✓ The expected re-launch of the privatization process, through selling a stake on BSE.

### Key risks

- ✓ Prolonged recession that might keep people away from airplane transportation due to higher costs compared with other transportations means.

### Financial Highlights

- ✓ In 2008 and 2009, Aurel Vlaicu airport sales advanced more rapidly compared with Henri Coanda ones, posting also higher EBIT margins. Still, in 2009 Aurel Vlaicu posted a net profit of RON 14.6m, compared to a loss of RON 0.07m in 2008. Henri Coanda bottom line came at RON 59.47m (-42.3% yoy) due to almost flat sales (+2.7%) whilst operating expenses went up 12.9% yoy to RON 270.8m.

## Comparables' Operational Data

No of pax (mn pax)

Airport/Year	2007	2008	2009
Henri Coanda	4.98	5.06	4.48
Aurel Vlaicu	0.97	1.72	1.97
Flughafen Wien	18.80	19.75	18.11
Zurich Airport	20.74	22.10	21.93
Gemina Group	38.35	40.02	38.62

Source: Companies' websites, BRD-GSG

No of aircraft movements

Airport/Year	2007	2008	2009
Henri Coanda	968,084	1,724,633	1,974,337
Aurel Vlaicu	17,916	28,167	31,024
Flughafen Wien	243,430	266,402	243,430
Zurich Airport	268,476	274,991	262,121
Gemina Group	400,481	406,001	382,082

Source: Companies' websites, BRD-GSG

Cargo (tonnes)

Airport/Year	2007	2008	2009
Henri Coanda	14,440	18,975	18,476
Aurel Vlaicu	nav	nav	nav
Flughafen Wien	272,362	267,985	254,006
Zurich Airport	374,264	387,671	344,415
Gemina Group	153,618	157,062	143,966

Source: Companies' websites, BRD-GSG

 Revenues  
(EUR/pax)

Airport/Year	2007	2008	2009
Henri Coanda	15.73	15.90	16.03
Aurel Vlaicu	11.53	10.75	10.90
Flughafen Wien	27.73	27.76	27.70
Zurich Airport	23.57	24.38	24.77
Gemina Group	10.92	14.55	14.78

Source: Companies' websites, BRD-GSG

Company	Implied EV 2009 (EURm), based on			Implied EV 2009 / No of pax (EUR/pax), based on		
	P/BV	EV/EBITDA	MkCap/Sales	P/BV	EV/EBITDA	MkCap/Sales
Aeroporturi Bucuresti	1,950.32	272.19	194.60	302.00	42.15	30.13
Aeroportul Intl' Timisoara - Traian Vuia SA	10.62	16.53	21.65	10.62	16.53	21.65
Aeroportul Intl' Mihail Kogalniceanu SA	4.68	0.82	6.89	46.80	8.20	68.93

Source: Companies' websites, BRD-GSG

Company	2009 EV (Mn EUR)	2009 EV/No of pax (EUR/pax)
Flughafen Wien	1,403.45	77.48
Gemina Group	1,300.71	33.68

Source: Companies' websites, FactSet, BRD-GSG

## Key Financial Data&Ratios

### AIHCB

### AIBBAV

	2007	2008	2009	2007	2008	2009
<b>Balance Sheet (RONm)</b>						
Long term assets	1,457.73	1,501.74	1,575.63	1,922.02	5,919.39	5,918.06
Current assets, o/w	197.74	203.73	118.64	22.89	48.73	47.83
Cash and current accounts	111.52	90.38	30.29	3.07	8.94	32.87
<b>Total assets</b>	<b>1,655.47</b>	<b>1,705.47</b>	<b>1,694.27</b>	<b>1,944.91</b>	<b>5,971.43</b>	<b>5,967.50</b>
Equity	881.96	941.56	1,054.83	36.61	3,955.01	3,973.23
Long term liabilities, o/w	454.51	350.14	338.18	1,725.53	1,785.25	1,759.45
Long term financial debt	118.33	11.96	0.00	0.00	0.00	0.00
Short term liabilities, o/w	59.40	139.09	39.24	27.65	41.74	34.46
Short term financial debt	33.70	116.45	12.69	0.00	0.00	0.00
<b>Total Equity &amp; Liabilities</b>	<b>1,395.87</b>	<b>1,430.79</b>	<b>1,432.25</b>	<b>1,789.79</b>	<b>5,782.00</b>	<b>5,767.14</b>
<b>Working capital</b>	<b>138.34</b>	<b>64.64</b>	<b>79.40</b>	<b>-4.76</b>	<b>6.99</b>	<b>13.37</b>
<b>Net debt(+)/cash(-)</b>	<b>40.51</b>	<b>38.03</b>	<b>-17.60</b>	<b>-3.07</b>	<b>-8.94</b>	<b>-32.87</b>
<b>Income Statement (RONm)</b>						
Sales	261.39	296.52	304.51	37.24	68.25	91.17
Operating expenses, o/w	177.21	239.96	270.80	23.54	54.23	79.20
Depreciation&amortization expenses	55.37	78.01	79.87	1.67	14.29	18.38
EBITDA	144.04	139.80	120.79	17.66	30.16	31.85
<b>Operating profit/loss(EBIT)</b>	<b>104.91</b>	<b>78.94</b>	<b>57.80</b>	<b>16.09</b>	<b>22.82</b>	<b>24.69</b>
Interest expenses	0.00	0.00	0.23	17.19	0.01	0.02
<b>Net income</b>	<b>87.13</b>	<b>103.14</b>	<b>59.47</b>	<b>10.82</b>	<b>-0.07</b>	<b>14.60</b>
<b>Indicator per share (RON/share)</b>						
Sales	18.25	20.70	21.26	665.36	1,219.40	1,628.91
EPS	6.08	7.20	4.15	193.32	na	260.85
BV	61.58	65.75	73.65	654.10	70,663.03	70,988.57
<b>Valuation Ratios(x)</b>						
P/E	na	na	na	na	na	na
P/BV	na	na	na	na	na	na
EV/EBITDA	na	na	na	na	na	na
EV/EBIT	na	na	na	na	na	na
<b>Ratios</b>						
Sales growth	na	13.4%	2.7%	na	83.3%	33.6%
Net profit growth	na	18.4%	-42.3%	na	na	na
Total assets growth	na	3.0%	-0.7%	na	207.0%	-0.1%
EBITDA margin	55.1%	47.1%	39.7%	47.4%	44.2%	34.9%
EBIT margin	40.1%	26.6%	19.0%	43.2%	33.4%	27.1%
Net income margin	33.3%	34.8%	19.5%	29.1%	-0.1%	16.0%
Interest coverage (x)	na	na	254.89	0.94	2763.38	1564.54
Net debt/equity (x)	0.05	0.04	-0.02	-0.08	0.00	-0.01
ROE	9.9%	11.0%	5.6%	29.6%	0.0%	0.4%
ROA	5.3%	6.0%	3.5%	0.6%	0.0%	0.2%

Source: Prospectus, BRD-GSG

# ALRO

## Sector: Aluminium producer

### Listed/Buy

Price (as of 12 Jan'11) **12m TP**  
**RON 3.40** **RON 4.81**

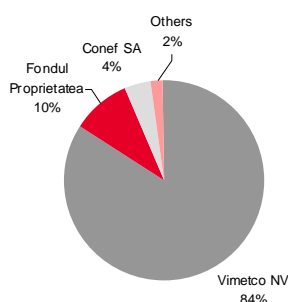
### Last Recommendation

**BUY (TP: RON 3.23)**

Fair Value of FP's stake **RON 240.74m**

% Fair NAV **1.75%**

### Shareholders



Source: Prospectus, BRD-GSG

### Company Description

- ✓ Primary/processed aluminium products

### Similar Companies

#### Domestic market

- none

#### External market (listed)

- Alcoa, Rio Tinto

### Operational Data

Smelter capacity 265,000t of electrolytic aluminium and 125,000t of processed aluminium

### Business Overview

- ✓ Alro, one of the major aluminium smelters in CEE was built in early sixties using Pechiney prebake (PB) technology and became operational in 1965. Apart from smelting facility the company has an anode plant, a cast house, a processing plant and the Group's operations also include Alum Tulcea which provides alumina for the electrolytic process. In October 2009, Alro has restarted production at its Alum Tulcea alumina refinery, after a revamping program that amounted to USD 50m.
- ✓ Alro's processing plant (former Alprom, a company built in 1968) has a cast house, rolling mill and an extrusion shop. Cast house uses as input primary aluminium from Alro's smelter and alloying elements producing cast slabs for hot rolling mill and cast billets for cold rolling mill and extrusion shop. In the latter, cast billets are subject to heat treatments, to drawing and rolling works being transformed in rods and bars. The current capacity for the processing plant stands at 135,000 tpy.
- ✓ In 2009, approx. 70% of total sales have been generated in EU, while domestic revenues have accounted for 21% of total business. The company has produced 230,000t of primary aluminium and 41,000t of processed aluminium in 2009.

### Key drivers

- ✓ Higher aluminium price envisioned for the next five years according to BRD GSG forecasts.
- ✓ Cost efficiency due to vertical integration.
- ✓ Strong position in the Romanian and CEE markets.
- ✓ Partially hedged against commodity and exchange rate risk.

### Key risks

- ✓ Commodity price risk which could originate from two sources:
  1. higher production costs due to an increase in energy price currently acquired from Hidroelectrica at below-market prices
  2. a prolonged economic depression which could put downward pressure on the aluminium prices and aluminium demand
- ✓ Failure to capitalize on the value-added product segment.

### Financial Highlights

- ✓ IFRS revenues in 2009 declined by 23% yoy on the back of a lower average aluminium price (by 35% yoy), but the company's management succeeded in keeping margins under control. Alro produced at 75% of its 265,000 tpy capacity and cut of its personnel by a corresponding 25%. EBITDA margins therefore came in at 23.8% compared to 2008 (20%), while net profit margins decreased slightly to 9% from 10% in 2008.

## Comparables' Operational Data\*

Company	EURm Mcapitalization	kt Capacity	kt Production	EURm/kt Mcap/Capacity	EURm/kmt Mcap/Production
Alcoa	12,019	4,813	3,564	2.50	3.37
Rio Tinto	105,392	4,000	3,808	26.35	27.68
Alro	570	265	230	2.15	2.48

\*Figures as of 2009

Source: Companies' websites, BRD-GSG

## Key Financial Data&Ratios

	2007	2008	2009	2010E	2011E
<b>Balance Sheet (RONm)</b>					
Long term assets	1,011.50	1,096.29	1,041.73	1,030.16	977.01
Current assets, o/w	737.70	958.61	504.28	662.38	712.35
Cash and current accounts	281.15	80.91	308.45	110.57	89.99
<b>Total assets</b>	<b>2,030.35</b>	<b>2,135.81</b>	<b>1,854.46</b>	<b>1,803.11</b>	<b>1,779.34</b>
Equity	1,263.84	1,063.96	917.29	953.92	1,030.51
Long term liabilities, o/w	41.25	212.69	123.97	134.27	129.39
Long term financial debt	257.01	247.63	90.79	175.73	98.66
Short term liabilities, o/w	243.26	286.17	228.98	222.35	222.27
Short term financial debt	225.00	325.37	493.44	316.84	298.51
<b>Total Equity &amp; Liabilities</b>	<b>1,548.35</b>	<b>1,562.81</b>	<b>1,270.24</b>	<b>1,310.54</b>	<b>1,382.17</b>
Working capital	494.44	672.44	275.30	440.03	490.08
Net debt(+)/cash(-)	200.85	492.09	275.77	382.00	307.19

<b>Income Statement (RONm)</b>					
Sales	2,069.32	2,075.53	1,605.65	1,724.40	1,854.36
Operating expenses, o/w	1,546.05	1,661.42	1,222.73	1,415.18	1,477.93
Depreciation&amortization expenses	72.75	75.32	96.01	89.03	91.89
EBITDA	523.27	414.12	382.92	309.22	376.43
<b>Operating profit/loss(EBIT)</b>	<b>450.53</b>	<b>338.80</b>	<b>286.91</b>	<b>220.19</b>	<b>284.54</b>
Interest expenses	-34.29	-29.06	-35.37	-32.30	-26.69
Net income	382.70	211.32	145.33	170.55	230.08

<b>Indicator per share (RON/share)</b>					
Sales	2.91	2.91	2.25	2.42	2.60
EPS	0.54	0.30	0.20	0.24	0.32
BV	1.78	1.49	1.29	1.34	1.44

<b>Valuation Ratios(x)*</b>					
P/E	2.35	4.26	6.18	5.59	3.42
P/BV	0.71	0.85	0.88	0.86	0.77
EV/EBITDA	2.10	3.36	7.41	9.00	6.38
EV/EBIT	2.00	2.65	8.74	11.19	7.45

<b>Ratios</b>					
Sales growth	na	0.3%	-22.6%	7.4%	7.5%
Net profit growth	na	-44.8%	-31.2%	17.4%	34.9%
Total assets growth	na	5.2%	-13.2%	-2.8%	-1.3%
EBITDA margin	25.3%	20.0%	23.8%	17.9%	20.3%
EBIT margin	21.8%	16.3%	17.9%	12.8%	15.3%
Net income margin	18.5%	10.2%	9.1%	9.9%	12.4%
Interest coverage (x)	-13.14	-11.66	-8.11	-6.82	-10.66
Net debt/equity (x)	0.16	0.46	0.30	0.40	0.30
ROE	30.3%	19.9%	15.8%	17.9%	22.3%
ROA	18.8%	9.9%	7.8%	9.5%	12.9%

\* Year-end closing price for 2007-2009, closing price as of January 12th for 2010e-2011e

Source: Prospectus, BRD-GSG