

Fondul Proprietatea

Hopes are high, energy to magnify; be prepared to...

Stock rating: Outperform

OTC Price: RON 0.47 – 0.52

(as of 21/12/2010)

Target Price: RON 0.79

Stock Data

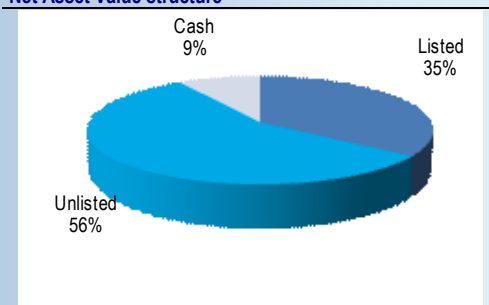
52 week low / high	N/A
Market Cap (€ mn)*	2,563
Reuters / Bloomberg	N/A / 3406924ZRO
Free float (e)	61.1%
Free-float MCap (€ mn)	1,566
No of shares (mn)	13,778
12m avg. daily vol. (€ mn)	2.0
Institutional ownership (e)	58.4%

*NBG Securities Romania estimates

Shareholding structure

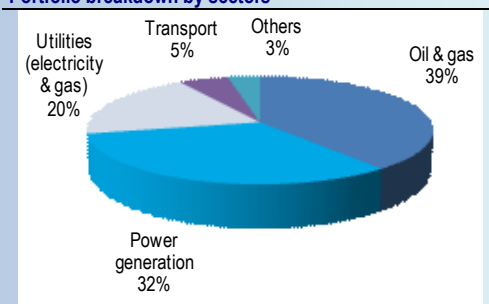
Ministry of Finance	38.9%
Legal entities with holdings >1%	10.1%
Legal entities with holdings <1%	9.4%
Individuals with holdings >1%	7.9%
Individuals with holdings <1%	33.7%
Total number of shareholders	5,372

Net Asset Value structure



Source: NBG Securities estimates

Portfolio breakdown by sectors



Source: NBG Securities estimates

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With an appealing portfolio, notable size (c. € 2.6bn estimated MCap), high free-float and promising liquidity, Fondul Proprietatea is set to make a remarkable entrance on January 25, the day of its technical listing on the Bucharest Stock Exchange.

Key highlights:

- **New proxy for the Romanian capital market:** Given the Fund's high free-float (61%) and size (official NAV at € 3.7bn), Fondul Proprietatea will rank 1st in terms of free-float MCap with € 1.6bn, which will boost the BSE's current free-float by c. 70%.
- **Liquidity trigger:** Track record of transactions with FP shares in the OTC market point to min. 65% jump in the BSE's average daily volumes after the Fund's listing.
- **90% tilt to energy:** Investment portfolio exhibits a 39% exposure to oil & gas upstream, 32% to electricity generation and 20% to utilities (electricity and gas).
- **Stable dividend policy:** The asset manager gave guidance for a constant payout dividend policy. In the short-term, the management's 2010 earnings estimates point to a modest RON 0.0134 dividend per share (2.7% divyld based on last OTC price, 1.7% based on our TP).
- **Well-known asset manager to bring in added value:** Extensive expertise held by the asset manager (Franklin Templeton) in emerging markets is supportive for NAV growth going-forward.
- **State's interference in the companies in FP's portfolio as most important risk to be priced in by the market:** The high exposure to state owned or regulated companies will be the main trigger for the discount level that FP shares will be traded on BSE.
- **Valuation:** We value Fondul Proprietatea using a sum-of-the-parts methodology. We employ different valuation approaches for the companies in its investment portfolio and reach a total fair NAV of RON 14.6bn (€ 3.4bn) or RON 1.06 per share. Subsequently, we apply a 25% discount for conglomerates/closed-end funds and arrive at a Target MCap of RON 10.9bn (€ 2.6bn) and a **Target Price per share of RON 0.79, c. 60% higher compared to last avg. trading price in the OTC market in December 2010 and 30% below the official NAV per share reported for November-end.**
- **Main risks to our investment case are:** low liquidity of the portfolio and lack of diversification, overhang from restitution process continuation, the high exposure to political risks and state interference.

Net Asset Value	RON mn	EUR mn	% of fair NAV	per share (RON)
Listed companies (28)	5,102	1,196	35.0%	0.37
o/w Petrom	4,010	940	27.5%	0.29
o/w top 5 stakes	5,005	1,174	34.3%	0.36
Unlisted companies (55)	8,174	1,917	56.1%	0.59
Power generators	4,311	1,011	29.6%	0.31
Gas upstream	1,121	263	7.7%	0.08
Utilities	1,882	441	12.9%	0.14
Others	860	202	5.9%	0.06
Other assets (net)	1,296	304	8.9%	0.09
Fair Net Asset Value (NAV)*	14,572	3,417	100.0%	1.06
Target MCap*	10,929	2,563		0.79
NSC NAV**	15,902	3,729		1.15

*NBG Securities estimates

**at November 30; calculated in accordance with NSC regulations



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Investment theme

Early buy in state-owned companies before they go public

Fondul Proprietatea is a one of a kind story, being set-up in 2005 by the Romanian State in order to compensate the people whose assets were nationalised by the communist regime. Initially 100% owned by the Romanian State (whose stake has decreased in the meantime to 39%), the Fund operates as a closed-end investment fund and holds stakes in large energy players, most of them state-owned.

The prominent size of the Fund (official NAV of € 3.7bn; NBG estimated MCap: € 2.6bn) and sizable free float (at 61%, expected to go up to 100%) are expected to trigger a huge impact on the Bucharest Stock Exchange and materialise in a c. 70% surge in the free-float MCap and c. 65% boost in daily liquidity.

With a heavy (90%) tilt to energy, the Fund has an attractive portfolio exposure which offers investors with an early buying opportunity in some of the large state-owned energy players before they go public. Sector wise, the Fund displays a wide coverage of the gas and electricity sectors, holding stakes in each link along the value chain: production, supply, distribution and transmission.

SOTP valuation yields a Target Price per share of RON 0.79

We value Fondul Proprietatea using a sum-of-the-parts methodology, employing different valuation approaches for the companies in its investment portfolio. Our valuation yields a total fair NAV for Fondul Proprietatea of RON 14.6bn (€ 3.4bn), translating into a fair NAV per share of RON 1.06. To this, we apply a 25% discount for conglomerates/closed-end funds and arrive at a Target MCap of RON 10.9bn (€ 2.6bn) and a Target Price per share of RON 0.79, still 30% below the official NAV reported for November-end (in accordance with NSC regulations). Worth to note that OTC trades with Fondul Proprietatea shares were done in late December in the RON 0.47 – 0.52 range.

Risks

Going forward, we believe the main risk is related to the state's influence (direct or indirect) over the companies where the Fund holds equity interests. Other negatives for the stock's price include: lack of portfolio diversification, high exposure to unlisted companies, overhang from restitution process continuation and profit taking.

In a nutshell

Listing details

- *Type of listing:* dry (technical) listing
- To be admitted to the 1st tier of the Bucharest Stock Exchange regulated market
- *ISIN:* ROFPTAACNOR5
- *Market symbol:* FP

Set-up

- Created by the Romanian Government in December 2005 to compensate the people whose assets were confiscated during the communist regime
- Its share capital consists mainly of in-kind contributions from the Romanian state, compiling a number of equity participations transferred by the Contributing Entities (e.g. AVAS, the Ministry of Economy, Ministry of Public Finance, the Ministry of Transportation) in a number of Romanian listed and unlisted companies.
- At November 2010, the share capital stood at RON 13.8bn (13.8bn shares with a face value per share of RON 1.0).

Legal status

- Organised and operating as a closed-end investment company in accordance with the Romanian law, registered with and supervised by the Romanian National Securities Commission (NSC)
- Incorporated for an unlimited period of time
- Business object: portfolio management

Management

- *Fund manager:* Franklin Templeton Investment Management Ltd. United Kingdom (Bucharest branch), a fully-owned subsidiary of Franklin Templeton Investment

Shareholding info

- *Board of Nominees:* composed of five individuals appointed by the OGM; supervises the asset manager
- *Major shareholder:* Romanian State through the Ministry of Finance with 39% stake (down from 100% initially)
- *Number of shareholders:* 5,372, of which 5,196 individuals holding 42% cumulative stake
- *Shareholding limitations:* none
- *Voting rights restrictions:* voting rights attached to stakes between 1% and 5% are scaled back based on a progressive system; no voting rights for the part of the stake exceeding 5%; limitations do not apply to the Romanian state until its stake drops below 33%

Portfolio

- Holds equity interests in 83 companies, of which 28 listed and 55 unlisted at November-end
- Portfolio is heavily tilted towards the energy sector (oil, gas, electricity) which accounts for c. 90% of fair NAV
- Most important stakes are held in large national energy players
- Listed/ unlisted portfolio split is skewed towards the unlisted equity holdings (35% / 56% of fair NAV)

Investment objectives

- *Long-term:* value investing, capital appreciation via investments mainly in Romanian equity or equity-linked securities
- *Others:* gradually move the structure of the Fund's portfolio towards 100% listed securities, improve corporate governance standards for unlisted holdings, diversify across sectors, clean-up portfolio by reducing the current number of holdings

Dividend policy

- The manager intends to recommend the OGM that the Fund distributes 100% of its distributable profits as dividends

Risks

- *Main risks:* country related (emerging market, legal and regulatory, transparency, macroeconomic, political) and Fund related (portfolio liquidity, volatility, legal, voting rights restrictions, state interference)

Positives

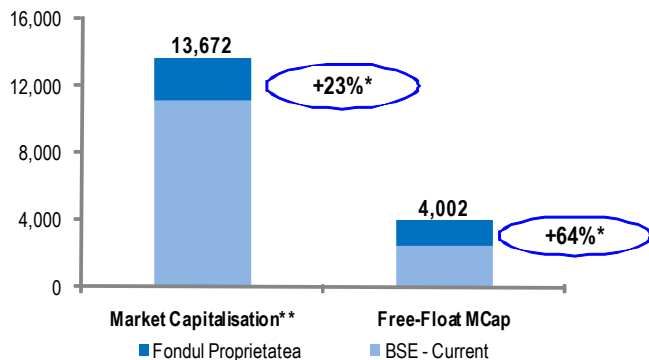
Next proxy for the Romanian market

To increase BSE's free-float MCap and daily liquidity 60%-70%

The long-awaited listing on the BSE of Fondul Proprietatea marks an important milestone in the development of the Romanian capital market. Despite its unique setup, the Fund is expected to set the stage for a repositioning of the Bucharest Stock Exchange on investors' radar screens by significantly increasing its visibility. The reasons that support this general consensus are as follows:

- *Significant size of the Fund:* we estimate the Fund's market capitalisation at € 2.6bn, second biggest on the BSE after OMV Petrom, which will increase the current BSE's MCap by c. 23%.
- *Expected to trigger a 64% jump in BSE free-float MCap:* Given the Fund's high free-float (at 61% at Dec2010) and size, Fondul Proprietatea will rank 1st in terms of free-float MCap with € 1.6bn, which will boost the BSE's current free-float. It is worth to mention that if we consider the MCap to reach the NSC NAV parity (€ 3.7bn at November-end), the impact will be a 90% increase in the BSE's free-float MCap.

BSE: Impact of FP listing on free-float MCap (€ mn) and...

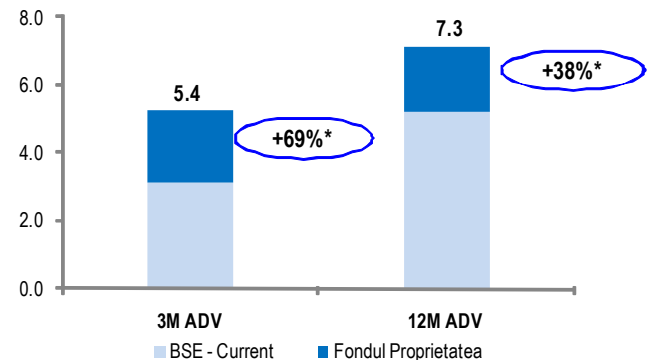


Source: NBG estimates

* considering our Target NAV, 32% below the NSC NAV

** Domestic, BSE only

...daily liquidity (€ mn)

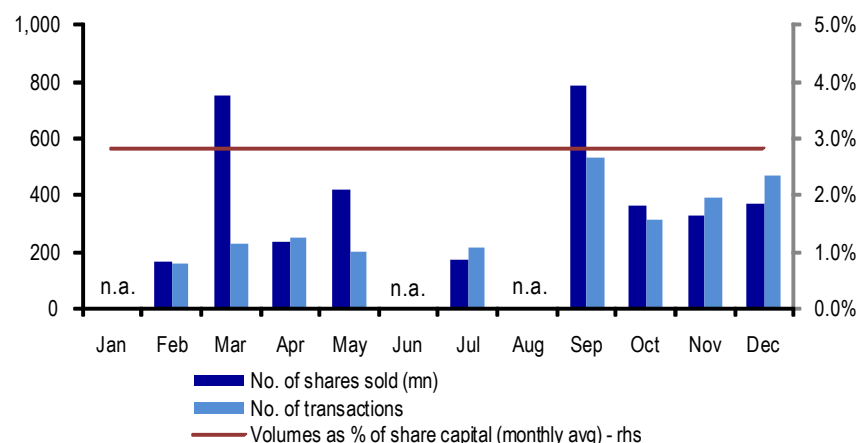


Source: NBG estimates

* considering FP's historic average daily value for 3M and 12M

- *Liquidity is not an issue for this one:* Based on the transactions realised at the Central Depository, we estimate a daily average volume of 400mn shares (or 2.8% of capital) throughout 2010, translated into € 2.0mn if we consider a 12M avg. OTC trading price per share of RON 0.45. If we take into consideration the Q4'10 average daily value on BSE of € 3.1mn, the entrance of Fondul Proprietatea to trading would trigger a c. 70% increase in average daily volumes (which could expand to over 100% if we consider our Target Price).

OTC transactions with FP shares in 2010



Source: Fondul Proprietatea, NBG Securities estimates

- With 90% focus on energy, its portfolio offers investors a unique exposure to the Romanian emerging economy and its long term growth potential.
- Most probably, the Fund will be included in BET Extended Index (BET-XT) after a c. 6-12 months period, where it would carry the maximum allowed 15% weight, based on our calculations. BET-XT was tilted until now towards the financial sector (banks - 30.5% weight, SIFs – 28.5% weight) therefore the inclusion of the Fund in the Index will provide portfolio managers with a relatively balanced exposure between energy and financials.

Dual listing? Not in the short term we believe

A dual listing of the Fund on another stock exchange in a different international market (London Stock Exchange was the most rumoured) is not to be excluded somewhere in the future, depending on the Fund's development. This could increase the Fund's visibility and provide access to a wider pool of liquidity.

Nevertheless, we believe that this is more of a long-term target of the asset manager and chances to happen within the next year are extremely low. Our reasoning is backed by the low profile maintained by the asset manager with respect to this issue as it appears that significant changes would be required to certain aspects of the Fund's management structure and by-laws in order to comply with the general regulations of major foreign exchanges. Nonetheless, such a project could not be launched and changes could not be made without first obtaining shareholders' approval.

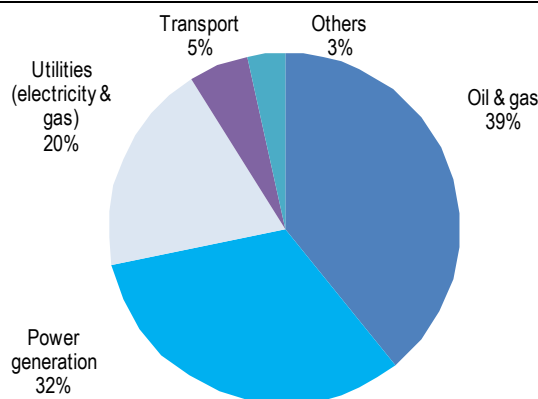
All in all, the flotation of Fondul Proprietatea has been perceived by investors as a catalyst for the Romanian capital market. This was mirrored in the BSE's performance from onset of 2011, as local indices have added c. 9% ytd (helped also by the positive momentum in international markets), while the ytd average daily volumes increased to € 4.4mn from € 3.1mn in Q4'10.

Attractive portfolio exposure

Heavy tilt to energy - 90% of portfolio

Fondul Proprietatea offers a wide exposure to the Romanian energy sector which accounts for 90% of the Fund's investment portfolio and comprises stakes in oil & gas players (exploration and production, transmission, distribution, supply) and electricity companies (generation, transmission, distribution, supply).

Portfolio breakdown by sectors



Source: NBG Securities estimates

Indirect access to national key energy players

The energy companies where the Fund holds equity interests are mostly major strategic players with significant market shares (Romgaz, Petrom) or natural monopolies (Transgaz, Transelectrica). Moreover, some of the companies are currently privately held and future offerings for them are in the cards, as scheduled by the Government.

Top 10 stakes

Company	Sector	Description	PF's stake	PF's stake value* (€ mn)	% in fair NAV
Petrom	Oil & gas	integrated oil & gas player; sole local oil producer; 46% market share in terms of gas production; has an 860MW gas-fired power plant going on-stream as of Q3'11	20.1%	940	28%
Hidroelectrica	Hydro power generation	largest power generator; 6,443MW installed capacity; 27% market share in terms of production	19.9%	574	17%
Romgaz	Gas production & distribution	gas upstream, distribution, storage; 52% of total domestic gas production	15.0%	263	8%
CE Turceni	Electricity generation	thermal energy (coal); 2,310MW installed capacity; 11.6% market share (in terms of electricity production)	24.8%	148	4%
CN Aeroporturi Bucuresti	Airports	largest local airport; 70% market share in terms of PAX traffic	20.0%	134	4%
Nuclearelectrica	Nuclear power generation	1,414MW installed capacity; 21% market share	9.7%	122	4%
Transgaz	Gas transport	natural monopoly; operating the national gas transmission network	15.0%	116	3%
CE Craiova	Electricity generation	thermal energy (coal); 930MW installed capacity; 7.2% market share (in terms of electricity production)	24.4%	95	3%
CE Rovinari	Electricity generation	thermal energy (coal); 1,320MW installed capacity; 9.8% market share (in terms of electricity production)	23.6%	72	2%
GDF Suez Energy	Gas distribution	gas supply and distribution; 1.3mn clients; 49.17% share on the regulated market; 10.84% on the competitive market	12.0%	65	2%
Total TOP 10				2,529	74%
Total TOP 5				2,059	60%

*NBG Securities estimates

It is worth stressing that although the Fund holds stakes in 83 companies, the value of the top 10 equity interests accounts for c. 75% of the fair NAV.

Although in the short-term the energy sector does not paint an appealing picture at first sight (demand is depressed due to protracted recession, flaws in the regulated industries abound, efficiency is poor in state-owned companies), the long-term prospects are extremely attractive. In the long run, the current imbalances are bound to revert, unlocking the hidden value of the sector: local wellhead natgas – now at 60% discount to import prices - to converge to international gas prices, power generators profitability to improve following their restructuring, listing of the companies to increase management oversight, demand to resume its uptrend once macroeconomic picture improves.

Stable dividend policy

High payout ratio

As a state-controlled entity, Fondul Proprietatea was bound by law to distribute at least 50% of its profits as dividends between 2006-2009.

Dividends

	2006	2007	2008-2009 (cumulative)	2010e **	2011e**
Net profit (RAS, RON mn)	72,152,092	313,106,905	1,197,839,750	194,937,098	207,001,778
Gross dividends (RON mn)	36,076,046	89,997,678	1,124,316,804	185,190,243	196,651,689
Payout ratio	50.0%	50%*	93.9%	95.0%	95.0%
Dividend per share (gross, RON)	0.0025	0.0066	0.0816	0.0134	0.0143
Divyld***			14.8%	1.7%	1.8%

* in 2007, RON 133mn from the reported net profit were used to cover carried forward result from accounting errors

** according to Fondul Proprietatea earnings estimates

*** for divyld, we used: last cum-div OTC trading price - for 2008&2009; our Target Price estimate - for 2010 and 2011

Source: Fondul Proprietatea, NBG Securities

In 2010, the Government changed the legislation and increased the respective regulated payout ratio to 90% from 50% previously aiming to raise more cash to the State budget in order to meet the IMF requirements. The full distribution of 2010 profits to shareholders is reinforced by the asset manager's guidance for a 100% payout ratio 2010 (after accounting for compulsory distribution to legal reserve).

Constant dividend policy on long-term

In the long-term, Franklin Templeton stated they will recommend the OGM that the Fund distributes 100% of its distributable net profits each year (from dividend income and interest on cash), in the absence of exceptional market conditions or circumstances.

In October 2010, from the accumulated profits for fiscal years 2009 and 2009, Fondul Proprietatea has paid a hefty dividend per share of RON 0.0816, with a dividend yield of c. 15% if we consider the OTC trading price at the time. The strong earnings during the two years were due to a great extent to a) sizable dividends received from Petrom (c. € 50mn) and b) the divestment in the three CEZ electricity players (CEZ Distributie, CEZ Furnizare and CEZ Servicii) which generated a net profit of c. € 130mn; the two items accounted for c. 50% of the accumulated net profit for 2008 and 2009.

While 2010 guidance is most likely to be realised as such, we believe that the 2011 net profit forecast has some upside potential as the underlying assumptions are more on the conservative side: a) no disposal of assets; b) no new equity investments; c) dividend income to be similar with the one in 2010; d) expenses are well accounted for. Therefore, we expect upside to come from:

- a higher payout ratio for the state-owned companies (90% vs. 50% before);
- increase in profitability for some of the companies (we estimate dividends inflows from Hidroelectrica to top RON 75mn in 2011 vs. none the year before);
- equity disposals: should the Fund manage to strike a deal with E.ON for its residual stakes in E.ON Moldova Distributie (electricity distribution) and E.ON Moldova Furnizare (electricity supply), we compute that the Fund could book gross profits between c. € 17mn (derived from an EV/EBITDA of the transaction of 7.0x) and € 122mn (derived from a valuation of the deal based on the € 550 price per customer paid by CEZ in 2009). Should the latter occur, the profits booked would translate into an increase in 2011 dividend per share by RON 0.0310 (divyld to increase to 5.6% vs. 1.8% envisaged currently).
- active management of the Fund.

Hefty profits could emerge from exits in electricity players

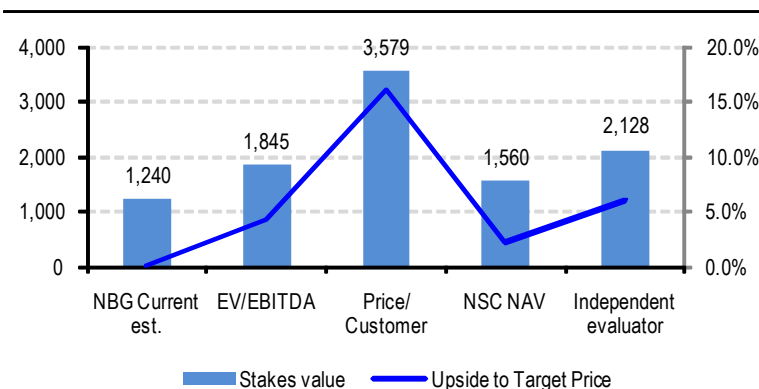
CEZ deal spurred appealing valuation scenarios for electricity distributors

As an introductory note, we note that in September 2009 Fondul Proprietatea sold its participations in CEZ Distributie (30%) and CEZ Vanzare (30%) for some € 230m (or € 10.70/ share), at a P/B of 1.5x (based on 2009 book value) and 55% above the fair value estimated for both stakes by an independent auditor at end-2008. The residual 12% stake in CEZ Servicii was sold in October 2009 for € 1.6m, 8x higher than the investment cost. The counterparty in all three transactions was the Czech power group CEZ, which exercised its call option (for CEZ Distributie and CEZ Vanzare), according to the privatisation contract with Electrica.

Based on the available information, we derived that the CEZ deal was realised at a P/B of 1.5x and CEZ paid c. € 550 per customer in the transaction. Reportedly, the State has been contemplating recently an exit in the E.ON distribution and supply electricity players (in order to alleviate pressures on fiscal gap) by activating the call /put option in the privatisation contract. Reportedly, the pricing mechanism in the put/call option is based on an 80/20 weighted-average EV/EBITDA target multiple (derived from European peers) and privatisation price factor. According to our previous statements, we estimate that the gross profits from the transaction lie within the € 17mn - € 122mn band.

We also ran a similar valuation, based on EV/EBITDA and price/ customer for the rest of the distributors. As expected, the price/ customer valuation yields the highest result, c. 3x higher compared to our current estimate. Also, the two valuation methods indicate that the Fund could book gross profits between € 200mn (based on EV/EBITDA valuation alone) and € 600mn (based on price/ customer valuation alone) should the Fund manage to divest all its stakes in the seven distributors. The inflows would strengthen the Fund's cash position and boost earnings.

Total value of FP stakes in the electricity distribution companies (RON mn)



Source: NBG Securities estimates

However, it is worth stressing that only E.ON has a sell/put call option in the privatisation contract. Therefore a valuation of the ENELs and Electrica players based on the CEZ deal multiples is more for information purposes, to present investors with the potential that lies within the seven distributors.

IPOs and SPOs pipeline as NAV catalyst

Provides an early buy in the state-owned companies before they go public

In mid-2010, the Government initiated a project aimed a) to sell on the BSE part of the stakes held in some of its listed holdings (such as Petrom, Transgaz, Transelectrica), b) to initiate offerings for some of the unlisted ones (Romgaz) and c) to exercise its sell option for its remaining stakes in the privatized energy players.

Government's list issued in mid-2010

Company	FP's Stake	State's total stake	State stake to be divested	Method	Current Free-Float	New Free-Float	MCap Free-float increase (€ mn)
Listed companies							
Petrom	20.1%	20.6%	9.8%	SPO	6.2%	16.1%	460
Conpet	20.1%	58.7%	7.7%	SPO			
Transelectrica	13.5%	73.7%	15.0%	SPO	12.8%	27.8%	56
Transgaz	15.0%	73.5%	15.0%	SPO	11.5%	26.5%	116
Oil Terminal	10.0%	59.6%	8.6%	SPO			
Private companies							
Romgaz	15.0%	85.0%	15.0%	IPO	0%	15.0%	263
GDF Suez Energy	12.0%	37.0%	17.0%	IPO			
E.ON Gaz Romania	12.0%	37.0%	17.0%	IPO			
E.ON Gaz Distributie	12.0%	37.0%	17.0%	IPO			
Enel Distributie Banat	24.1%	24.9%	14.9%	IPO			
Enel Distributie Dobrogea	24.1%	24.9%	14.9%	IPO			
ENEL Energie	12.0%	23.6%	27.0%	IPO			
E.ON Moldova Furnizare	22.0%	27.0%	17.0%	sell option			
E.ON Moldova Distributie	22.0%	27.0%	17.0%	sell option			
ENEL Energie Muntenia	12.0%	23.6%	13.6%	n.a.			
ENEL Distributie Muntenia	12.0%	23.6%	13.6%	n.a.			
Total							895

Source: MoF, NBG Securities; prices as of January 10 for listed companies

The highlighted companies the most probable candidates for the State to actually strike a deal in 2011, as the Government provided some guidance on the schedule.

We see upside to NAV to come from a) higher interest from investors in the Romanian market as the free-float MCap and liquidity increases and b) fair valuation of Romgaz as the company

becomes public.

To justify the latter, we display below a comparison between the implied EV/ 1P reserves for Romgaz (derived from the NSC NAV, independent evaluator estimate and our own appraisal) and Petrom's EV/1P reserves market multiple.

Target Price sensitivity to Romgaz valuation based on EV/ 1P reserves alone

	Base case	Bull case
Romgaz EV/1P reserves (€)	3.7	6.4
Stake value (RON mn)	1,121	1,922
FP Target MCap (RON mn)	10,929	11,530
FP Target Price (RON)	0.79	0.84
Impact on Target Price	0.0%	5.5%

Source: NBG Securities estimates

Romgaz listing to boost NAV

According to our calculations, should Romgaz be valued at an EV/1P reserves multiple similar to Petrom, this would lead to a 5.5% increase in our Target Price. Despite the differences between the two companies which would justify a certain level of discount for Romgaz vs Petrom (lower integration level & business diversification, state-ownership & all that this implies etc), we believe that current Romgaz valuation poses upside risks coming from our conservative approach.

Risks for this IPO/ SPO scenario lie in the Government's poor track record in implementing these privatisation plans (the agenda announced in 2010 is not the first of its kind). As the pressures to raise money to the budget and meet IMF covenants remain elevated, the incentive to go forward with the equity sales also increased and we believe that the only reason why the State is delaying things this time is the still uncertain capital market conditions.

Well-known asset manager to bring in added value

Franklin Tempelton to manage FP's assets

Fondul Proprietatea is under the management of the Bucharest branch of the well-known asset manager Franklin Templeton Investment Management (part of a group with AUM of US\$ 644bn) which was fully vested as of September 2010.

Franklin Templeton has set up a team of equity analysts in Bucharest, headed by the Fund's Portfolio Manager, Mr. Grzegorz Konieczny. Templeton Emerging Markets Group, led by Mark Mobius, PhD, has been in a proactive mode ever since their initial appointment as asset manager of Fondul Proprietatea in June 2009. Their efforts were, and continue to be, streamlined to improve the corporate governance of the companies in the portfolio, support the alignment of the NAV calculation methodology to international standards and promote the Romanian capital market.

Franklin Templeton's investment strategy, as outlined in both Prospectus and in the analyst meeting, will be focused on:

- gradually moving the structure of the Fund's portfolio towards 100% listed securities
- improve corporate governance standards for unlisted holdings
- clean-up portfolio by reducing the current number of holdings
- portfolio diversification across sectors.

The stated investment objective is "long-term capital appreciation via investments mainly in Romanian equity or equity-linked securities". The IPS constraints are as follows:

- minimum 70% of assets in Romanian listed shares
- up to 12% of assets in foreign shares
- up to 20% of assets in unlisted shares (shares currently held by FP in unlisted companies are exempted from this allocation rule according to the law)
- maximum 10% of assets in one listed issuer
- no sector restrictions are in place.

We expect the extensive experience of the asset manager in emerging markets to reflect positively on the investment portfolio development and the resulting value creation to

Investment portfolio valued at € 3.4bn, in line with the latest NSC NAV filing

shareholders. Incentive for Franklin Templeton to grow FP's assets stems also from its remuneration scheme which entails an annual fee of 0.479% of the average market capitalisation of the Fund for the last 90 trading sessions of the year.

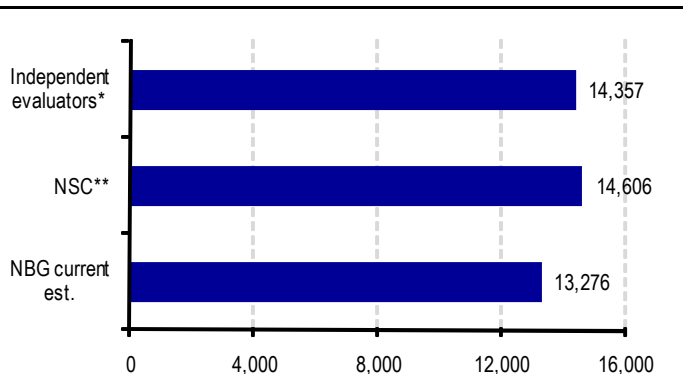
Valuation from independent evaluators is supportive

In May 2010, the Fund has selected three independent evaluators, which were awarded service agreements for valuation of the Fund's assets according to international standards, as follows:

- (a) KPMG Romania SRL – 15 companies;
- (b) JPA Audit si Consultanta SRL – 40 companies;
- (c) Darian DRS SA – 20 companies.

The purpose of such independent valuation was to establish the market value for the assets within the Fund's portfolio, in view of the its future listing process. According to the Prospectus, the independent evaluators have used a wide range of valuation methods in accordance with international valuation standards, but no specific information was disclosed regarding the approaches employed.

Investment portfolio value (RON mn)



Source: Fondul Proprietatea, Prospectus, NBG Securities

*at May 31, 2010

**at November 30, 2010

If we employ the figures determined by the independent evaluators for the investment portfolio into our NAV calculation model, we reach a NAV per share of RON 15.7bn, slightly below the November NSC reading of RON 15.9bn and 7.4% above our fair NAV estimate.

Share buy-back

More of a safety net

Based on the September 2010 EGM resolution, the Fund Manager has been authorised to buy-back a number of max. 1.37bn shares (c. 10% of capital) between September 2010 and March 2012, at a price per share ranging between RON 0.2 and RON 1.5. The acquired shares shall be paid up out of the Fund's distributable profit or available reserves, in accordance with the latest approved annual financial statements.

We find the buy-back option as positive as it will alleviate investors fears of a sudden drop of the stock's price on profit taking from speculators and people who waited for the listing to monetize the shares received from the State. Nevertheless, we believe that the buy-back represents more of a psychological safety net and Franklin Templeton will not activate it if the stock price is above the last OTC trading level. We compute that, based on 2010 estimated distributable net profit (as reserves are currently negative), Franklin Templeton could buy-back between 6.7% of total shares (at the RON 0.2 lower bracket) and c. 2.7% of total (at the last avg. OTC price of RON 0.5). As a side note, we recall that the monthly OTC volumes amounted to c. 2.8% of capital.

Negatives

Voting rights restrictions

Voting rights capped, but the limitations could change soon, should shareholders decide so

There are no shareholding limitations in Fondul Proprietatea, however voting rights are subject to a back-scaling process as they pass through several thresholds in the following manner:

- for $\leq 1\%$ of share capital: every share gives the right to one vote;
- between 1% and 3% of share capital: up to 1% - one vote for one share, between 1% and 3% - one vote for every 2 shares;
- between 3% and 5% of share capital: up to 1% - one vote for one share, between 1% and 3% - one vote for every 2 shares, between 3% and 5% - for every 3 shares one voting right;
- for $\geq 5\%$ of share capital: restrictions mentioned above, while the number of shares exceeding 5% have no voting rights attached.

The voting restrictions above do not apply to the Ministry of Finance, until the date when its holding drops under 33%; at that moment, shareholders will be able to decide on whether to keep or forgo current restrictions/limitations on the voting rights or develop new ones.

The Ministry of Finance held 39% in Fondul Proprietatea at the last count at December 2010 but, considering the restitution pace (c. 15% annually), we believe that chances for a change in control to be effective as of this year are quite high.

State interference in portfolio companies

The risk to weigh the most in FP's trading discount

State interference in the companies in FP's portfolio comes from two main sources:

- a) direct - ownership level that allows the State to have control of the company and its operations;
- b) indirect – through the regulations imposed by the regulatory bodies (under the State's influence) which impose the rules that govern the key electricity and gas sectors, setting the tariffs to captive end-consumers.

The recent Romgaz donation issue (the Government has approved a donation worth RON 400mn from Romgaz to the state budget) is eloquent for the former. Also relevant is the continuation process of setting-up the two energy giants (Electra and Hidroenergetica) before clarifying the situation of Fondul Proprietatea's stake in Nuclearelectrica (which was diluted following some share capital increase in 2006 and 2007).

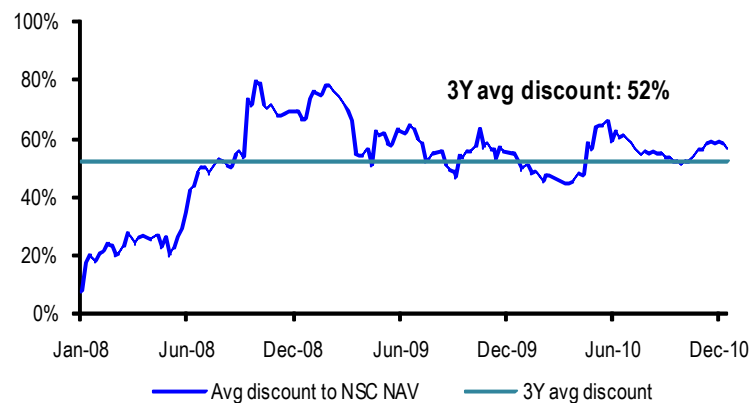
Franklin Templeton has been strongly opposing the state's decisions by initiating a series of court actions so far. While we deem the Romgaz donation as a lost case, the asset manager's course of actions against the two energy giants seems to be on a promising track after obtaining a Court decision which suspended the set-up of Electra.

SIFs high discounts could be taken as guidance

SIFs 3-year average discount to NSC NAV at 52%

Similarities that lie at the set-up and legal status & organization of Fondul Proprietatea compared to the five SIFs (Financial Investment Companies) will most likely determine investors to look for guidance in the SIFs trading history.

SIFs average discount



Source: NBG Securities

OTC transactions with FP shares in Dec 2010 at 50% discount to NSC NAV also

Our Target Price is at c. 30% discount compared to NSC NAVPS at November 30, 2010 and c. 20% vs. the NSC NAVPS at October 31, 2010. Worth to note that the last transactions with FP shares were performed in December at a c. 50% discount to NSC NAVPS. We have also displayed the discount compared to October NAV reading as the methodology employed for the October NAV calculation was largely similar to the one used for the SIFs. Starting November, the NAV calculation for Fondul Proprietatea suffered some changes which boosted the NSC NAV per share by c. 18% against October (mostly coming from the valuation methodology change for the unlisted companies, while listed holdings had a negligible impact).

Differences between the two justify lower discount for FP shares

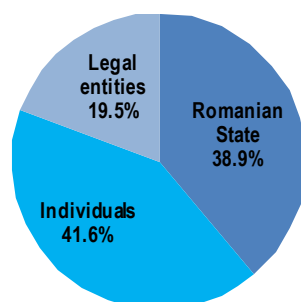
All in all, we believe that the spillover effect will be vice-versa, i.e. the new calculation methodology employed for Fondul Proprietatea and the discount at which FP will enter the market with will lead to a re-rating of the SIFs discounts. Moreover, the reasons for a lower discount for Fondul Proprietatea compared to the ones that SIFs are trading at are plenty: sounder corporate governance, significantly higher transparency, active portfolio management versus passive approach used by SIFs, more attractive exposure in the current market conditions when banks are still under the "outcast" sign (SIFs seen as investment vehicles in the banking sector; financials account for over 60% of their average portfolio value), no shareholding threshold for FP (ownership in SIFs is capped at 1% by law for individuals as well as group of entities acting in concert).

Overhang from restitution process continuation

State's stake at 39% at December-end

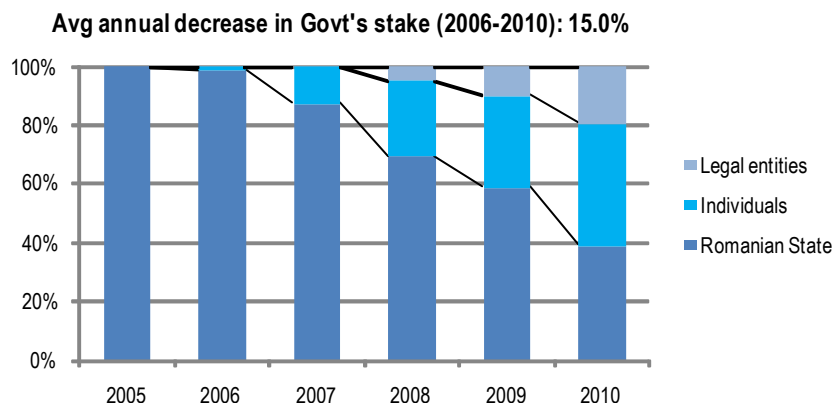
The Ministry of Finance reduced its stake to 38.9% at 2010-end from 58.9% at 2009-end (by c. 20 percentage points yoy). Between 2006-2010, the average annual decrease in the Ministry of Finance stake stood at 15%.

Shareholding structure as of December 31, 2010



	Number	Stake
Ministry of Finance	1	38.88%
Legal entities	175	19.49%
with holdings <1%	170	9.44%
with holdings >1%	5	10.05%
Individuals	5,196	41.63%
Individuals with holdings <1%	5,193	33.68%
Individuals with holdings >1%	3	7.95%
Total	5,372	100.00%

Source: Fondul Proprietatea

Shareholding breakdown evolution

Source: Fondul Proprietatea

Decrease in the State's participation to accelerate

As the restitution process will move on, the State will release the remaining stake to the eligible individuals. The decrease in the State's participation could accelerate going-forward due to: a) the cash settlement of claims was suspended until 2012 (restitution claims under RON 0.5mn could have been settled in cash instead of FP shares until mid-2010) and b) a trading price per share for Fondul Proprietatea below RON 1.0 will have the Government paying more shares as it converts the restitution claims (conversion of the claims will be done at 60-days average trading price after the listing against the RON 1.0 face value previously).

We believe that the interest will remain high for the Fund's shares after its listing and the offer will be absorbed by the investment funds which are looking for an exposure to an emerging market energy play.

FP trading prices in OTC market ranged between RON 0.12 – RON 0.60

Transactions with Property Fund shares have been legally facilitated as of February 2008 and OTC deals increased their frequency every day since then. In time, a number of international investment funds were rumoured in the press of having acquired stakes in the Fund (US private equity company Cartesian - 2.8%, East Capital – c. 1%, British investment fund Coneglen Ltd – c.1%, also some of the local SIFs also reported acquisitions of FP shares). According to our calculations, roughly 6.4bn shares or 50% of total capital exchanged hands in OTC transactions between March 2008 and December 2010.

The OTC price varied from RON 0.6 per share in spring of 2008 (initial trades) to a bottom of c. RON 0.12 in early 2009 when the local capital market hit its lows following the worldwide sell-off in equities. On better news-flow regarding the listing and the appointment of the asset manager, the prices entered on an uptrend and the last transactions in December 2010 were realised at a price per share between RON 0.47 and RON 0.52 (trading of the FP shares at the Central Depository was suspended as of December 22, 2010).

Low prices in the OTC transactions offered the buyers a comfortable level on which they can decide to mark some of their profits after the listing, provided they haven't already done this. Also on the sell side, we have people who were reimbursed by the State and want to monetize their holdings, though this category it is quite difficult to predict in actions as they were compensated at face value (RON 1.0).

Still plenty remain to build the bid side

Nevertheless, we believe that the buyers will roughly match the sellers, with high chances of surpassing them on medium term, as we see on the bid side the Institutional investors who could not buy FP shares due to portfolio constraints (they are not allowed to buy unlisted shares), local funds which are benchmarked at the index in which the Fund will be included in and investors who refrained from buying due to uncertainties regarding the listing of the Fund. The buy-back program will also add to investors confidence.

Portfolio risks: lack of diversification, high exposure to unlisted**Energy sector holds 90% in investment portfolio**

In terms of portfolio structure, we highlight two main risks:

- a) lack of diversification: the Fund has a 90% tilt to energy;
- b) relatively low liquidity of the portfolio due the 60% exposure to unlisted companies.

In the long-run, this could gradually change as the asset manager stated its intention to move the structure of the Fund's portfolio towards 100% listed securities and to pursue a wider diversification across sectors.

Valuation

We arrive at a fair NAV of RON 14.6bn (€ 3.4bn) and Target MCap of RON 10.9bn (TP of RON 0.79)

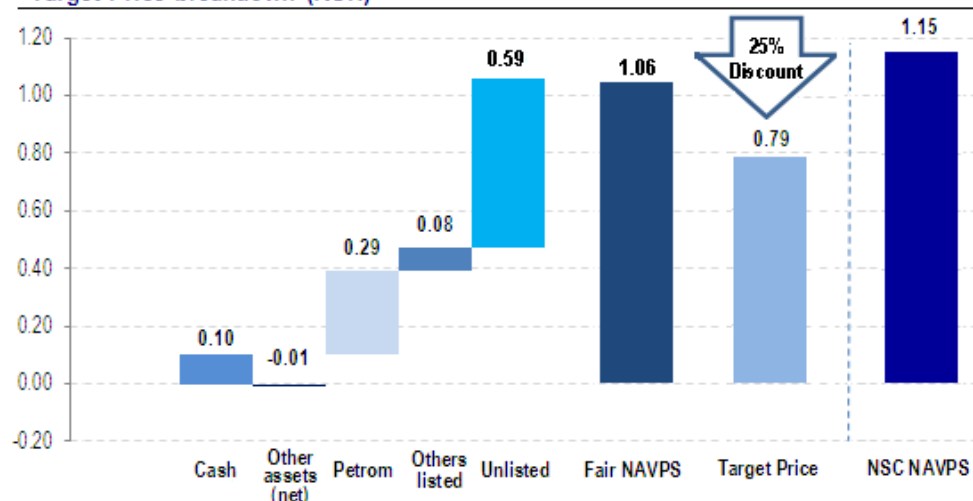
We value Fondul Proprietea using a sum-of-the-parts methodology. For the holdings in its investment portfolio we have employed different valuation methods based on a series of factors: liquidity (listed/ unlisted companies), size, industry. Our valuation yields a total fair NAV of RON 14.6bn (€ 3.4bn), translating into a fair NAV per share of RON 1.06. To this, we apply a 25% discount for conglomerates/ closed-end funds and arrive at a Target MCap of RON 10.9bn (€ 2.6bn) and a Target Price per share of RON 0.79.

Fondul Proprietea: Valuation summary

Holdings	RON mn	€ mn	% of fair NAV	per share
Listed (28)	5,102	1,196	35.0%	0.37
o/w Petrom	4,010	940	27.5%	0.29
o/w top 5 stakes	5,005	1,174	34.3%	0.36
Unlisted (55)	8,174	1,917	56.1%	0.59
Power generators	4,311	1,011	29.6%	0.31
Gas upstream	1,121	263	7.7%	0.08
Utilities	1,882	441	12.9%	0.14
Aiports	595	140	4.1%	0.04
Ports	114	27	0.8%	0.01
Others	151	35	1.0%	0.01
Total investment portfolio	13,276	3,113	91.1%	0.96
Cash & equivalents	1,421	333	9.8%	0.10
Other assets	4	1	0.0%	0.00
Liabilities	129	30	0.9%	0.01
Fair Net Asset Value (NAV)	14,572	3,417	100.0%	1.06
No of shares (mn)	13,778			
Fair NAV/ share (RON/ €)	1.06	0.25		
Discount for closed-end funds	25%			
Target Mcap	10,929	2,563		
Target Price (RON/ €)	0.79	0.19		

Source: BVB, Fondul Proprietea, NBG Securities

Target Price breakdown (RON)



Source: NBG estimates

Note: NAVPS = NAV per share

Our valuation is sensitive to the two discounts we employ, namely a) a 25% discount in valuing the largest companies in the portfolio (for transparency, liquidity, state ownership) and b) a 25% conglomerate/closed-end funds discount. Sensitivity outcomes are displayed below.

Target Price sensitivity (RON)

	Unlisted company discount					
Discount for conglomerates/ closed-end funds		15%	20%	25%	30%	35%
	15%	0.96	0.93	0.90	0.87	0.83
	20%	0.91	0.88	0.85	0.82	0.78
	25%	0.85	0.82	0.79	0.76	0.73
	30%	0.79	0.77	0.74	0.71	0.69
	35%	0.74	0.71	0.69	0.66	0.64

Source: NBG Securities estimates

Worth to note that our Target Price is at a c. 30% discount to NSC NAVPS reported for November-end (the official NAV computed in accordance with NSC regulations). According to the asset manager, the December NAV update will also comprise fair value estimates for some of the unlisted companies in the portfolio (as opposed to the accounting book values used until now).

Listed holdings

28 listed companies in portfolio...

Fondul Proprietatea holds stakes in 28 listed companies from various industries (according to November-end data). The most important is the equity interest held in the oil & gas player OMV Petrom which stands at € 940mn and accounts for 79% of the listed portfolio and 28% of the total fair NAV (the largest exposure).

For valuation, we have applied the following methodology:

- Mark-to-market for the companies which were traded in the last 30 days;
- 50% discount to book value for the companies which were not traded in the last 30 days;
- Zero value for the companies which have negative book value or are facing insolvency procedures.

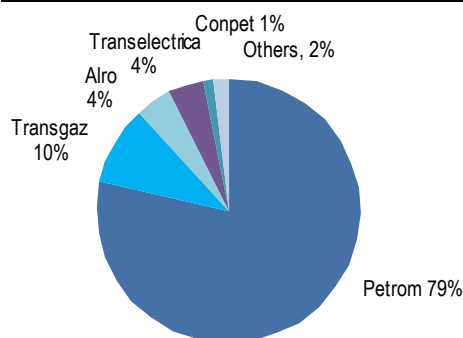
Petrom – largest exposure

Listed portfolio structure

	€ mn	% in total	% in fair NAV
Petrom	940	78.6%	27.5%
Top 5	1,174	98.1%	34.3%
Top 10	1,191	99.6%	34.9%

Source: NBG Securities estimates

Listed portfolio: largest holdings



Source: NBG Securities estimates

Summary valuation for listed holdings

Company (Figures in RON mn, unless otherwise stated)	Ticker	Sector	Price (RON)*	Valuation method	MCap/ Estimated equity value**	PF's stake	FP's stake value	FP's stake value (€ mn)
Petrom	SNP	Oil & gas	0.3520	mark-to-market	19,938.7	20.11%	4,009.7	940.3
Transgaz	TGN	Gas transport	279.90	mark-to-market	3,295.5	14.99%	493.9	115.8
Alro	ALR	Aluminium processing	3.20	mark-to-market	2,284.1	9.93%	226.7	53.2
Transelectrica	TEL	Electricity transport	21.90	mark-to-market	1,605.3	13.50%	216.7	50.8
Conpet	COTE	Crude oil transport	33.50	mark-to-market	290.0	20.06%	58.2	13.6
Azomures	AZO	Fertilisers	0.51	mark-to-market	268.3	7.69%	20.6	4.8
Primcom	PRIB	Food & beverages	18.50	mark-to-market	27.0	78.97%	21.4	5.0
Romaero	RORX	Aircraft spare parts	11.50	mark-to-market	71.8	21.00%	15.1	3.5
Oil Terminal	OIL	Oil services	0.23	mark-to-market	131.0	10.00%	13.1	3.1
Delfincom	DELF	Real estate development	6.15	0.5x P/B	7.1	65.51%	4.6	1.1
Severnav	SEVE	Shipbuilding	3.61	mark-to-market	18.2	39.11%	7.1	1.7
Palace	PACY	Hotels	0.70	0.5x P/B	6.5	15.43%	1.0	0.2
Romplumb	ROMR	Lead production	n/a	0.5x P/B	6.9	51.00%	3.5	0.8
Forsev	FORS	Industrials	n/a	0.5x P/B	12.4	28.14%	3.5	0.8
IOR	IORB	Electronic equipments	0.62	mark-to-market	57.7	2.82%	1.6	0.4
Mecon	MECP	Industrials	14.00	mark-to-market	6.7	12.51%	0.8	0.2
Transilvania Com	TRVC	Real estate rental	5.15	0.5x P/B	1.5	39.99%	0.6	0.1
Comcereal Cluj	COCL	Agriculture	3.00	0.5x P/B	5.1	11.36%	0.6	0.1
Mecanoenergetica	MEGU	Industrials	0.15	mark-to-market	2.3	10.08%	0.2	0.1
Alcom	ALCQ	Food & beverages	135.00	0.5x P/B	0.3	71.90%	0.2	0.1
Comcereal Miercurea Ciuc	CHAR	Agriculture	1.60	0.5x P/B	1.1	10.03%	0.1	0.0
Comcereal Fundulea	CCFD	Agriculture	1.05	0.5x P/B	1.5	5.35%	0.1	0.0
Telerom Proiect	TEBV	IT&C design	1.67	mark-to-market	1.6	68.63%	1.1	0.3
Vitacom	VITO	Food & beverages	0.60	0.5x P/B	0.1	46.91%	0.1	0.0
Turdapan	TUSB	Food & beverages	2.50	mark-to-market	0.9	44.07%	0.4	0.1
Prestari Servicii	PRVD	Services	12.00	0.5x P/B	0.1	70.56%	0.0	0.0
Bat Service	BATS	Road transport	n/a	0.5x P/B	1.3	33.00%	0.4	0.1
Resib	RESI	Real estate rental	n/a	zero (negative equity)	0.0	2.88%	0.0	0.0
Total Listed					28,043		5,102	1,196
% of fair NAV								35.0%

Source: BVB, Fondul Proprietatea, NBG Securities

* Last close as of January 10, 2011

** For companies not traded in the last 30 days; determined at 0.5x P/B

Listed companies make up for 35% of fair NAV

Our valuation leads to a total value of RON 5.1bn (€ 1.2bn) for the Fund's stakes in listed companies, representing 35% of the fair NAV.

Given the rather high sensitivity to the top 5 exposures, we have calculated the impact on valuation of using our Target Prices for companies under our coverage (namely Petrom, Transelectrica and Transgaz). The scenario results in an 8.2% increase in the overall value of the listed holdings (and 2.9% increase in our Target Price), mostly due to a higher fair value estimated for Petrom. However, the calculations are only for informative purposes. In our final fair NAV valuation, we employ the mark-to-market approach (not the fair value approach) for the companies that we cover.

Summary valuation for listed holdings

Company (Figures in RON mn, unless otherwise stated)	Ticker	Price (RON)*	Target price (RON)	Upside/ Downside	Target mcap	PF's stake	FP's stake value	FP's stake value (€ mn)
Petrom	SNP	0.352	0.394	11.9%	22,318	20.11%	4,488	1,052.5
Transgaz	TGN	279.90	277.60	-0.8%	3,268	14.99%	490	114.9
Transelectrica	TEL	21.90	16.00	-26.9%	1,173	13.50%	158	37.1
Others							381	89.4
Total Listed - based on NBG Securities fair values							5,518	1,294
% chng vs. mark-to-market approach								8.2%
Impact on Target Price (RON)								0.02
Impact on Target Price (%)								2.9%

Source: NBG Securities

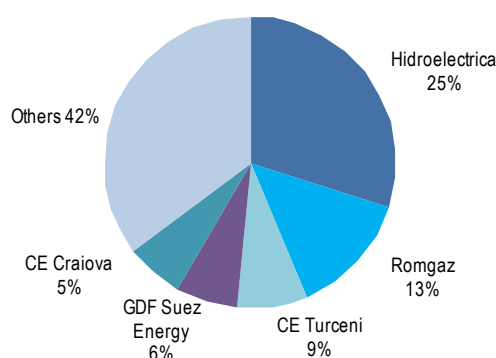
Participations in 55 companies

Unlisted holdings

Fondul Proprietatea has 55 stakes in unlisted companies. Based on their size, market positioning and sector, we have selected 29 companies which we aggregated industry-wise into five groups and to which we further applied different valuation methods based on the amount of information available. Our goal is to introduce as few estimates and variables as possible into our valuation for various reasons: a) financial results published by the companies are in accordance with local RAS and not IFRS; b) lack of transparency regarding operations and asset base; c) the management's guidance for future development plans exhibits a large implementation risk. Thus, we concentrate on the more simple relative approach, which we vary across sectors based on their specifics.

For the balance of 26 unlisted companies, we use their equity book values reported for 2009, to which we apply a 50% discount. We assign zero value for companies which have negative book values, are under insolvency, legal reorganisation or liquidation procedures or the Fund's ownership in the company has not yet been legally recognised. The total value of these stakes stands at RON 151mn (€ 35mn) and they represent a mere 1% of the Fund's fair NAV.

Unlisted portfolio: largest holdings



Source: NBG Securities estimates

Summary valuation for unlisted holdings

Sector (Figures in RON mn, unless otherwise stated)	Relative valuation based on:	Estimated MCap	FP's stake value	FP's stake value (€ mn)
Power generation	EV/ EBITDA, EV/ Sales, P/B, EV/ Capacity	23,128.1	4,310.9	1,010.9
Gas upstream	EV/ EBITDA, EV/ Sales, P/B, EV/ 1P reserves	7,475.6	1,120.8	262.8
Utilities	EV/ EBITDA, EV/ Sales, P/B	11,784.2	1,882.3	441.4
Aiports	EV/ EBITDA, EV/ Sales, P/B, EV/pax	2,975.6	595.1	139.6
Ports	EV/ EBITDA, EV/ Sales, P/B	570.1	114.0	26.7
Others	P/B of 0.5x (BV at 2009-end)	564.0	151.3	35.5
Total unlisted		46,497.5	8,174.5	1,917.0
% of fair NAV				56.1%

Source: Companies, NBG Securities, Bloomberg

We derive that the value of FP's stakes in unlisted companies makes-up for 56% of the fair NAV, with the largest equity interest being the one in power generator Hidroelectrica (€ 574mn or 17% of fair NAV). We have summarised below our valuation for the five sectors: power generation, gas E&P, utilities, airports and ports.

Power generators

Fondul Proprietatea holds stakes in the largest five power generators, all state-owned, as follows: Hidroelectrica (hydro power producer), Nuclearelectrica (nuclear power producer) and the three coal-fired power generators (CE Rovinari, CE Turceni, CE Craiova). The five electricity producers jointly accounted for c. 77% of the country's power output in 2009.

Summary valuation for power generators

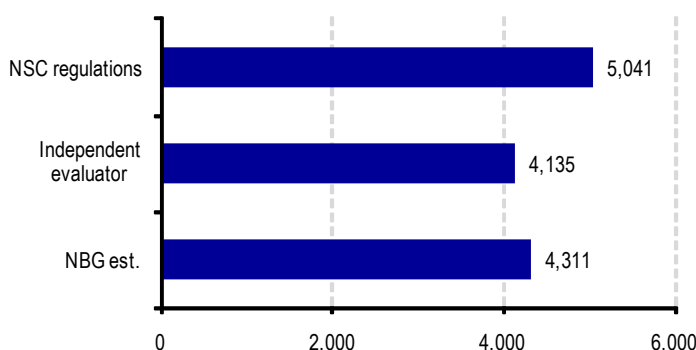
Company (Figures in RON mn, unless otherwise stated)	Estimated MCap 1 based on:	Estimated MCap 2 based on:	Weighted-Avg MCap	Discount*	FP's stake	FP's stake value	FP's stake value (€ mn)
	Market multiples	Industry metrics					
	(EV/ EBITDA, EV/ Sales, P/B) Weight: 90%	(EV/ Installed capacity) Weight: 10%					
Hidroelectrica	13,722	40,039	16,354		19.94%	2,446	574
Nuclearelectrica	4,316	32,426	7,127		9.73%	520	122
CE Craiova	2,172	2,693	2,224	25%	24.36%	406	95
CE Rovinari	1,508	3,852	1,742		23.60%	308	72
CE Turceni	2,998	6,927	3,391		24.79%	630	148
Total power generators			30,837			4,311	1,011
% of unlisted portfolio							52.7%
% of fair NAV							29.6%

Source: Companies, Prospectus, NBG Securities, Bloomberg; * Discount for transparency, liquidity, state ownership

Valuation

- In assessing the equity value of the power generators, we employ a relative valuation approach.
- We use current EV/ EBITDA, EV/ Sales and P/B market multiples (2010e median) available for the related peer groups and our own estimates for 2010 EBITDA, sales and BV items. We assign equal weights for the three multiples in order to arrive at an estimated MCap which is further weighted 90:10 with the analogous outcome from the industry metric valuation approach (EV/ capacity). In terms of installed capacity and net debt, we apply the 2009-end figures (latest available).
- Regarding the peers, we use global companies which operate in the three power-generation segments (hydro, nuclear, coal-fired) in both developed and emerging countries.
- Our 2010 estimates for the companies' financials were built based on the last quarterly earnings and management guidance cited in the press, as well as our forecasts for local industry average growth rates/ margins.
- We apply a 25% discount to the derived equity values in order to account for illiquidity, low transparency and state ownership.
- Our valuation leads to a total estimated market value of the power generators in the Fund's portfolio of RON 23.1bn (€5.4bn). This translates into a RON 4.3bn (€ 1.0bn) value for the Fund's stakes (jointly), holding roughly 53% in total unlisted portfolio and 30% in fair NAV.
- It is worth mentioning that Hidroelectrica (the largest unlisted company) was valued at RON 16.6bn by KPMG in the two energy giants' set-up report (Electra and Hidroenergetica). This figure not only endorses our estimate for the company's value (which we see at RON 16.4bn) derived from market multiples but also highlights our conservative approach used in the NAV calculation where we applied a 25% discount to the estimated MCap of Hidroelectrica (similar to the one applied to all participations). Should we plug-in the KPMG's figure (with no discount) in the fair NAV computation, this would lead to an increase in the Target Price by c. 6%.

Power generators: FP stake value (RON mn) as per:



Source: Fondul Proprietatea, Prospectus, NBG Securities

Positives/ Catalysts

- The set-up of the two energy giants Electra and Hidroenergetica (currently on-going) could set the stage for a major turnaround of the companies, provided properly handled; other benefits are stronger market positioning which will grant higher negotiation power and ease of access to financing
- The termination of the contracts signed by Hidroelectrica in the early 2000 are expected to trigger a significant improvement in margins
- A robust pipeline in terms of capacity expansion
- Low gearing ratios which will facilitate access to financing for future investment plans

Negatives/ Risks

- Old asset base which requires heavy capex for modernization and compliance with the environmental standards
- Politically appointed management
- Severe lack of transparency
- A poor handling in shaping the two energy giants might deepen the already poor transparency

Romgaz

Fondul Proprietatea holds a 15% stake in Romgaz, the national state-owned natural-gas producer which shares the upstream gas business in Romania on an almost even basis with rival Petrom. Romgaz extracted c. 5.8bn cbm of natural gas in 2009 and held a market share of c. 52% (vs. Petrom 46%). The company is also one of the three local providers of gas storage facilities locally.

Summary valuation of Romgaz

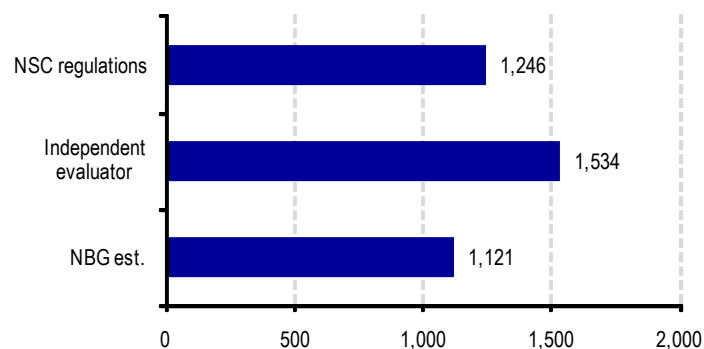
Company (Figures in RON mn, unless otherwise stated)	Estimated MCap 1 based on:	Estimated MCap 2 based on:	Weighted- Avg MCap	Discount*	FP's stake	FP's stake value	FP's stake value (€ mn)
	Market multiples (EV/ EBITDA, EV/ Sales, P/B)	Industry metrics (EV/ 1P reserves)					
	Weight: 50%	Weight: 50%					
Romgaz	7,513	12,422	9,967	25%	15%	1,121	263
% of unlisted portfolio							13.7%
% of fair NAV							7.7%

Source: Companies, Prospectus, NBG Securities, Bloomberg; * Discount for transparency, liquidity, state ownership

Valuation

- We value the company in a similar manner to the power generators, using a relative approach based on current market multiples and industry metrics.
- We employ current EV/ EBITDA, EV/ Sales and P/B market multiples (2010e median) available for the related peer group and our own forecasts for 2010 EBITDA, sales and BV. We assign equal weights for the three multiples in order to arrive at an estimated MCap which is further weighted 50:50 with the analogous outcome from the industry metric valuation approach (EV/ 1P reserves). In terms of net debt, we apply the 2009-end figures.
- The peers group consists mainly of European gas companies, with a tilt to Russian players.
- Our 2010 estimates were built by taking the 9M'10 reported earnings as guidelines.
- We apply a 25% discount to the derived equity values in order to account for illiquidity, low transparency and state ownership.
- Our valuation leads to a total estimated market value for Romgaz of RON 7.5bn (€ 1.8bn). This translates into a RON 1.1bn (€ 0.3bn) value for the Fund's stake, accounting for c. 14% in total unlisted portfolio and c. 8% in the Fund's fair NAV.

Romgaz: FP stake value (RON mn) as per:



Source: Fondul Proprietatea, Prospectus, NBG Securities

Positives/ Catalysts

- Alignment of the internal regulated natgas price to international level is expected to boost profitability (current gas price is regulated by a basket pricing mechanism to approx. half of import gas prices)
- Liberalisation of gas price would provide support for further investments
- Upside potential for the storage business provided Nabucco project goes through
- The State plans to sell a 15% stake in the company in 2011

Negatives/ Risks

- Declining production levels due to mature gas fields
- Further delays in the alignment of the wellhead gas price to import levels
- Recent political decisions interfere with the company's best interest

Gas & power utilities

Fondul Proprietatea's exposure to gas & electricity utilities is also notable. The Fund holds various stakes in 3 gas utilities companies and 13 power utilities, covering the supply as well as the distribution businesses. Most of the utilities were privatised during 2004-2008 through a largely similar method which implied a 25% stake sale plus a share capital increase with cash by the buyer. Buyers were E.ON, Enel, CEZ and GDF Suez. After privatisation, the supply and distribution business lines were separated.

Summary valuation for utilities

Company (Figures in RON mn, unless otherwise stated)	Estimated MCap based on:			Average Mcap	Discount*	FP's stake	FP's stake value	FP's stake value
	EV/ EBITDA	EV/ Sales	P/B					
Gas utilities								
Distribution								
E.ON Gaz Distributie	615	1,557	1,062	1,078		12%	97	23
Supply								
E.ON Gaz Romania	826	n.m.	1,115	970		12%	87	20
GDF Suez Energy	2,909	n.m.	3,241	3,075		12%	277	65
Power utilities								
Distribution								
E.ON Moldova Distributie	984	960	823	922		22%	152	36
Electrica Distributie Muntenia Nord	841	1,062	1,108	1,004		22%	166	39
Electrica Distributie Transilvania Nord	710	836	805	784	25%	22%	129	30
Electrica Distributie Transilvania Sud	747	883	863	831		22%	137	32
ENEL Distributie Banat	1,841	1,225	1,352	1,473		24%	267	63
ENEL Distributie Dobrogea	1,229	842	935	1,002		24%	181	42
Enel Distributie Muntenia	3,192	3,003	3,050	3,082		12%	277	65
Supply								
E.ON Moldova Furnizare	275	n.m.	85	180		22%	30	7
Enel Energie Muntenia	723	n.m.	338	531		12%	48	11
Electrica Furnizare Muntenia Nord	299	n.m.	17	158		22%	26	6
Electrica Furnizare Transilvania Nord	225	n.m.	31	128		22%	21	5
Electrica Furnizare Transilvania Sud	283	n.m.	42	163		22%	27	6
Enel Energie	497	n.m.	166	331		12%	30	7
Total utilities				15,712			1,952	458
% of unlisted portfolio								23.9%
% of fair NAV								13.4%

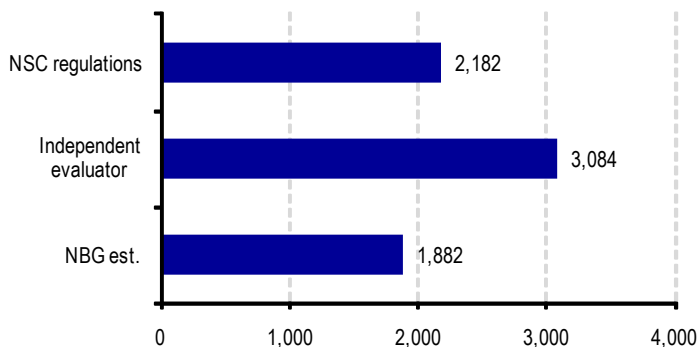
Source: Companies, Prospectus, NBG Securities, Bloomberg; * Discount for transparency, liquidity

Valuation

- In assessing the equity value of gas and electricity utilities, we employ a relative valuation approach based on 2010e EV/EBITDA, EV/ Sales and P/B multiples. For suppliers, we leave out the EV/Sales multiple.
- We use our estimates for 2010 EBITDA, sales and BV for the companies and assign an equal weight to the three multiples employed. Given that most of the power suppliers exhibited negative EBITDA in 2009, we used in our valuation a target EBITDA based on the regulated profit margin for suppliers (2.5%). The target 2010e EV/EBITDA, EV/ Sales and P/B were derived from two peers groups (one for gas utilities and one for power utilities) comprised mainly of European companies activating in the respective sectors.
- It is worth noting that the derived P/B from our valuation for power utilities is significantly below the precedent comparable transactions P/B of 1.5x at which Fondul Proprietatea sold its stakes in CEZ Distributie (30%), CEZ Vanzare (30%) and CEZ Servicii (12%) in 2009, after the majority shareholder CEZ activated its call option in the privatisation contract. Fondul Proprietatea sold its stakes at 2.3x higher than the value recorded in the Fund's books and cashed-in a total of c. € 230mn. The transaction EV/ EBITDA is difficult to compute due to lack of information for the three CEZ divisions.

- We apply a 25% discount to the derived equity values in order to account for illiquidity and lack of transparency.
- The valuation leads to a total estimated market value of the utilities in the Fund's portfolio of RON 11.8bn (€ 2.8bn). This translates into a RON 2.0bn (€ 0.5bn) value for the Fund's stakes (jointly), accounting for c. 24% of the total unlisted portfolio and 13% of the Fund's fair NAV.

Utilities: FP stake value (RON mn) as per:



Source: Fondul Proprietatea, Prospectus, NBG Securities

Positives/ Catalysts

- Increase in the effective degree of liberalisation of the sector will lead to improved margins for suppliers
- Distribution activity is a regulated monopoly and investments in the outdated distribution grid should lead to higher regulated asset base (RAB) and higher regulated profit
- Most of the companies hold a net cash position

Negatives/ Risks

- Lower profitability compared to peers which entails cost containment issues for companies where the State holds a majority stake
- Political and social pressures to keep tariffs low lead to delays in recognizing investments performed by the companies, with negative effects on the regulated profit

Airports and port operators

The last important sector we look at is the transportation sector where Fondul Proprietatea holds stakes in the largest airport and port operators. The three airports where the Fund holds equity interests (of 20% in each) have a 80% market share in terms of air traffic passengers, with the main operator being the National Company Aeroporturi Bucuresti established recently through the merges of the two airports located in the capital Bucharest. Among the port operators, CN Admin. Porturilor Maritime Constanta is the most significant one in the portfolio.

The companies are on the Government's agenda for listing on the Bucharest Stock Exchange (5% stake in each) and the process has been initiated for some of them in 2008, but plans were put on hold due to unfavourable market conditions.

Summary valuation for airports

Company (Figures in RON mn, unless otherwise stated)	Estimated MCap 1 based on:	Estimated MCap 2 based on:	Weighted-Avg MCap	Discount*	FP's stake	FP's stake value	FP's stake value (€ mn)
	Market multiples	Industry metrics					
	(EV/ EBITDA, EV/ Sales, P/B)	(EV/ No of passengers)					
	Weight: 90%	Weight: 10%					
CN Aeroporturi Bucuresti	3,931	2,741	3,812		20%	572	134
AI Mihail Kogalniceanu	25	39	26	25%	20%	4	1
AI Timisoara - Traian Vuia	98	411	130		20%	19	5
Total airports	4,054	3,191	3,967			595	140
% of unlisted portfolio							7.3%
% of fair NAV							4.1%

Source: Companies, NBG Securities, Bloomberg; * Discount for transparency, liquidity

Summary valuation for port operators

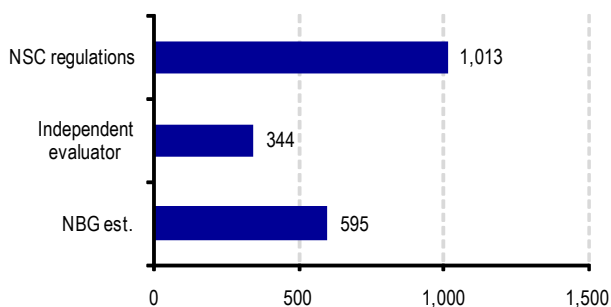
Company (Figures in RON mn, unless otherwise stated)	Estimated MCap based on:				Discount*	FP's stake stake	FP's stake value	FP's stake value	
	Market multiples								
	EV/ EBITDA	EV/ Sales	P/B	Average Mcap					
CN Admin. Canalelor Navigabile	83	137	161	127	25%	20%	19	4	
CN Admin. Porturilor Dunarii Fluviale	55	69	44	56		20%	8	2	
CN Admin. Porturilor Dunarii Maritime	n.m.	33	17	25		20%	4	1	
CN Admin. Porturilor Maritime	354	685	617	552		20%	83	19	
Total port operators	493	924	839	760			114	27	
% of unlisted portfolio									1.4%
% of fair NAV									0.8%

Source: Companies, NBG Securities, Bloomberg; * Discount for transparency, liquidity

Valuation

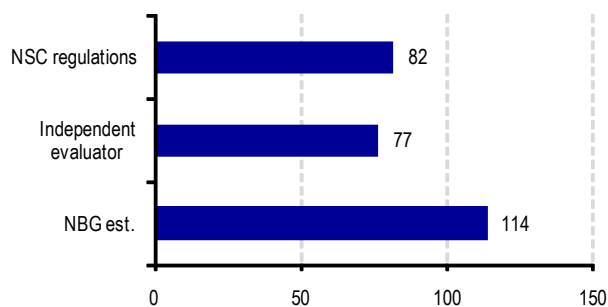
- To value airports, we look at four market multiples: EV/ EBITDA, EV/ Sales, P/B and EV/ No of passengers. We employed the same methodology as for the power generators valuation. For port operators, we use a relative valuation based on EV/EBITDA, EV/ Sales and P/B.
- We employ the 2009 readings for the number of passengers and an average EV/ PAX of € 98 derived from European listed airports. For EBITDA, sales and BV, we take into consideration our estimates for 2010 based on the management guidance and reported quarterly results.
- We apply a 25% discount to the derived equity values in order to account for illiquidity, lack of transparency and state ownership.
- Our valuation leads to a total estimated market value of the airports in the Fund's portfolio of RON 3.0bn (€ 0.7bn) and of RON 0.6bn (€ 134mn) for port operators. The value of Fondul Proprietatea's stakes stand at € 140mn and € 27mn respectively, or c. 4% and c. 1% of the Fund's fair NAV.

Aiports: FP stake value (RON mn) as per:



Source: Fondul Proprietatea, Prospectus, NBG Securities

Port operators: FP stake value (RON mn) as per:



Source: Fondul Proprietatea, Prospectus, NBG Securities

Positives/ Catalysts

Airports

- Current high capacity utilisation ratios to trigger organic growth through the construction of new terminals
- Convergence of the pax/ inhabitant and revenues/ pax to EU levels
- Listing on BSE

Ports

- Appealing long-term growth prospects due to strategic geographic location

Negatives/ Risks

Airports

- Underdeveloped local infrastructure
- Difficult economic environment to hinder growth in the number of passengers

Ports

- Depressed world trade stalls the come-back of cargo traffic
- Upgrades and modernisation require high investment

Others unlisted

For the remaining 26 unlisted companies where Fondul Proprietatea holds equity interests, we have based our valuation on their equity book value at 2009-end to which we have applied a 50% discount. The valuation leads to a total estimated market value for the combined 26 companies of RON 564mn (€ 131mn). This translates into a RON 151mn (€ 35mn) value for the Fund's equity interests (jointly), accounting for c. 2% in total unlisted portfolio and 1% in the Fund's fair NAV.

Summary valuation 'others unlisted'

Company (Figures in RON mn, unless otherwise stated)	Sector	Book value (2009)	Estimated MCap (0.5 * BV)	PF's stake	FP's stake value	FP's stake value (€ mn)
Posta Romana	Mail delivery services	678.0	339.0	25%	84.7	19.9
Societatea Nationala a Sarii	Salt production	160.2	80.1	49%	39.3	9.2
Zirom	Titanium processing	34.7	17.4	100%	17.4	4.1
Salubriserv	Waste collection	42.7	21.3	17%	3.7	0.9
Laromet	Metal production	151.2	75.6	4%	3.2	0.7
Zamur Targu Mures	Sugar production	42.7	21.3	7%	1.5	0.4
Carom - Broker Asigurare	Life insurance	1.7	0.8	70%	0.6	0.1
Electroconstructia Elco Cluj	Services	7.1	3.5	8%	0.3	0.1
Celuloza si Otel	Recycling	5.2	2.6	9%	0.2	0.1
Cetatea	Real estate rental	2.1	1.0	20%	0.2	0.0
Commetex	Glass, ceramics	1.3	0.7	16%	0.1	0.0
Comsig	Retail (food)	0.2	0.1	70%	0.1	0.0
Marlin	Financial leasing	0.7	0.4	5%	0.0	0.0
World Trade Hotel	Hotels	0.1	0.0	20%	0.0	0.0
Familial Restaurant	Restaurants	0.1	0.1	3%	0.0	0.0
Carbid Fox	Chemicals	0.0	0.0	8%	0.0	0.0
Electromecanica Ploiesti	Defense equipment	45.6	0.0	49%	0.0	0.0
FECNE	Metallurgy	0.0	0.0	12%	0.0	0.0
Gerovital Cosmetics	Health care	4.8	0.0	10%	0.0	0.0
Petrotel - Lukoil	Oil products manufacturing	0.0	0.0	2%	0.0	0.0
Plafar	Health care	10.5	0.0	49%	0.0	0.0
Retizoh	Construction	0.9	0.0	7%	0.0	0.0
Simtex	Services	3.0	0.0	30%	0.0	0.0
Uzina Mecanica Bucuresti	Defense equipment	46.0	0.0	37%	0.0	0.0
World Trade Center Bucuresti	Services	0.0	0.0	20%	0.0	0.0
Ciocarlaia	Restaurants	0.0	0.0	2%	0.0	0.0
Total 'others unlisted' (26)		1,239	564		151	35
% of unlisted portfolio						1.9%
% of fair NAV						1.0%

Source: Fondul Proprietatea, NBG Securities

APPENDIX 1: Power generators

Company summary profiles

Hidroelectrica

- *Sub-sector:* Electricity generation (hydro)
- *Market share:* largest electricity producer with 27% market share in 2009
- *Installed capacity:* 6,423MW
- *Controlling shareholder:* Ministry of Economy (80.06%)
- *FP stake:* 19.94%

RON mn, RAS	2007	2008	2009	2010e
Sales	2,060.7	2,443.5	2,420.8	3,147.0
EBITDA*	841.6	787.4	836.4	1,291.8
<i>EBITDA margin</i>	40.8%	32.2%	34.6%	41.0%
Net Profit	52.6	65.1	48.4	431.0
<i>Net margin</i>	2.6%	2.7%	2.0%	13.7%
Total Assets	19,481.9	19,947.0	22,989.9	n.a.
Cash & equiv.	118.0	128.7	28.1	n.a.
Borrowings (ST and LT)	1,012.4	1,020.9	1,481.0	n.a.
Equity	13,891.1	13,951.2	16,554.6	16,597.7
Net Debt/ Equity	6.4%	6.4%	8.8%	n.a.

Nuclearelectrica

- *Sub-sector:* Electricity generation (nuclear)
- *Market share:* 21%
- *Installed capacity:* 1,414 MW
- *Controlling shareholder:* Ministry of Economy (90.27%)
- *FP stake:* 9.73%

RON mn, RAS	2007	2008	2009	2010e
Sales	909.6	1,451.9	1,526.7	1,526.7
EBITDA*	503.5	680.4	649.1	463.9
<i>EBITDA margin</i>	55.4%	46.9%	42.5%	30.4%
Net Profit	88.7	103.0	49.4	-148.6
<i>Net margin</i>	9.7%	7.1%	3.2%	-9.7%
Total Assets	8,850.6	9,626.1	9,963.2	n.a.
Cash & equiv.	180.1	394.3	494.7	n.a.
Borrowings (ST and LT)	2,610.3	2,525.1	2,527.5	n.a.
Equity	5,986.1	6,897.0	7,253.7	7,105.1
Net Debt/ Equity	40.6%	30.9%	28.0%	n.a.

CE Craiova

- *Sub-sector:* Electricity generation (coal)
- *Market share:* 7.2%
- *Installed capacity:* 930MW
- *Controlling shareholder:* Ministry of Economy (71.40%)
- *FP stake:* 24.36%

RON mn, RAS	2007	2008	2009	2010e
Sales	861.8	1,068.6	1,132.4	1,064.5
EBITDA*	146.5	142.4	314.6	206.2
<i>EBITDA margin</i>	17.0%	13.3%	27.8%	19.4%
Net Profit	8.3	3.6	0.3	3.2
<i>Net margin</i>	1.0%	0.3%	0.0%	0.3%
Total Assets	1,243.5	1,393.2	1,581.2	n.a.
Cash & equiv.	14.9	33.6	5.7	n.a.
Borrowings (ST and LT)	0.0	36.3	137.3	n.a.
Equity	1,083.0	1,080.6	1,097.5	1,097.8
Net Debt/ Equity	net cash	0.2%	12.0%	n.a.

CE Rovinari

- *Sub-sector:* Electricity generation (coal)
- *Market share:* 9.8%
- *Installed capacity:* 1,320MW
- *Controlling shareholder:* Ministry of Economy (75.85%)
- *FP stake:* 23.60%

RON mn, RAS	2007	2008	2009	2010e
Sales	811.5	957.3	845.4	794.7
EBITDA*	147.1	142.4	107.5	99.3
<i>EBITDA margin</i>	18.1%	14.9%	12.7%	12.5%
Net Profit	79.3	1.0	5.6	3.2
<i>Net margin</i>	9.8%	0.1%	0.7%	0.4%
Total Assets	1,026.4	1,304.3	1,633.1	n.a.
Cash & equiv.	138.5	44.4	26.4	n.a.
Borrowings (ST and LT)	0.0	50.4	184.0	n.a.
Equity	716.1	853.6	1,064.7	1,065.0
Net Debt/ Equity	net cash	0.7%	14.8%	n.a.

CE Turceni

- *Sub-sector:* Electricity generation (coal)
- *Market share:* 11.6%
- *Installed capacity:* 2,310MW
- *Controlling shareholder:* Ministry of Economy (74.63%)
- *FP stake:* 24.79%

RON mn, RAS	2007	2008	2009	2010e
Sales	1,029.4	1,281.4	1,125.5	1,058.0
EBITDA*	-98.4	-161.8	-61.7	-52.9
<i>EBITDA margin</i>	-9.6%	-12.6%	-5.5%	-5.0%
Net Profit	78.3	20.0	21.3	13.1
<i>Net margin</i>	7.6%	1.6%	1.9%	1.2%
Total Assets	1,867.5	2,713.0	2,790.7	n.a.
Cash & equiv.	39.8	54.5	65.1	n.a.
Borrowings (ST and LT)	2.8	95.6	154.4	n.a.
Equity	1,387.4	2,114.5	2,138.6	2,139.9
Net Debt/ Equity	net cash	1.9%	4.2%	n.a.

Source: Company data, Prospectus, NBG Securities estimates

*EBITDA = Operating result + Depreciation – Other operating revenues + Expenses with donations and assets sold

APPENDIX 2: Romgaz

Company summary profiles

Romgaz

- *Sub-sector:* Gas exploration & production
- *Market share:* 51.8% of total domestic gas production
- *Production:* 5.79 bcm of natgas
- *Operational info:* 153 production fields, 6 underground warehouses
- *Controlling shareholder:* Ministry of Economy (85.01%)
- *FP stake:* 14.99%

RON mn, RAS	2007	2008	2009	2010e**
Sales	3,271.7	3,280.2	3,193.5	3,512.9
EBITDA*	1,866.1	1,884.5	1,826.9	1,756.4
<i>EBITDA margin</i>	57.0%	57.4%	57.2%	50.0%
Net Profit	509.6	537.4	572.5	526.8
<i>Net margin</i>	15.6%	16.4%	17.9%	15.0%
Total Assets	5,607.7	8,259.4	9,060.5	n.a.
Cash & equiv.	1,624.1	1,044.4	773.8	n.a.
Borrowings (ST and LT)	23.4	22.3	17.8	n.a.
Equity	5,070.8	7,584.6	8,308.5	7,961.2
Net Debt/ Equity	net cash	net cash	net cash	n.a.

Source: Company data, Prospectus, NBG Securities estimates

*EBITDA = Operating result + Depreciation – Other operating revenues + Expenses with donations and assets sold

** ** Equity adjusted for RON 400mn donation

APPENDIX 3: Gas utilities

Company summary profiles

E.ON Gaz Distributie

- *Sub-sector:* Gas distribution
- *Market share:* 35.6% (2009)
- *Distribution network:* 18,800 km of pipelines (northern Romania)
- *Controlling shareholder:* E.ON Romania (51.0%)
- *FP stake:* 12.0%

RON mn, RAS	2007	2008	2009	2010e
Sales	1,531.3	685.0	724.5	742.6
EBITDA*	132.6	27.1	201.3	100.0
<i>EBITDA margin</i>	8.7%	4.0%	27.8%	13.5%
Net Profit	65.0	-56.3	101.1	26.2
<i>Net margin</i>	4.2%	-8.2%	14.0%	3.5%
Total Assets	1,263.2	1,224.3	1,265.2	n.a.
Cash & equiv.	5.4	0.8	0.7	n.a.
Borrowings (ST and LT)	29.3	104.9	74.8	n.a.
Equity	939.1	838.2	900.0	926.2
Net Debt/ Equity	2.6%	12.4%	8.2%	n.a.

E.ON Gaz Romania

- *Sub-sector:* Gas supply
- *Market share:* 22% cumulated (42.7% on the regulated market; 5.8% on the competitive market; 2009)
- *Number of clients:* c. 1.5mn (covers 20 counties in northern Romania)
- *Controlling shareholder:* E.ON Romania (51.0%)
- *FP stake:* 12.0%

RON mn, RAS	2007	2008	2009	2010e
Sales	n.a	2,969.4	2,557.7	2,621.6
EBITDA*	n.a	-39.0	111.4	118.0
<i>EBITDA margin</i>	n.a	-1.3%	4.4%	4.5%
Net Profit	n.a	43.7	141.7	146.8
<i>Net margin</i>	n.a	1.5%	5.5%	5.6%
Total Assets	0.0	1,282.9	1,093.6	n.a.
Cash & equiv.	0.0	13.3	12.8	n.a.
Borrowings (ST and LT)	0.0	204.3	0.0	n.a.
Equity	0.0	683.6	825.4	972.2
Net Debt/ Equity	n.r.	27.9%	net cash	n.a.

GDF Suez Energy

- *Sub-sector:* Gas supply and distribution
- *Market share:* 49.17% on the regulated market; 10.84% on the competitive market (2009)
- *Distribution network:* 16,000 km of pipelines (18 counties)
- *Number of clients:* c. 1.3mn (in southern Romania)
- *Controlling shareholder:* Romania Gas Holding (51.0%)
- *FP stake:* 12.0%

RON mn, RAS	2007	2008	2009	2010e
Sales	3,215.1	3,737.7	3,628.8	3,719.6
EBITDA*	372.1	317.1	537.3	464.9
<i>EBITDA margin</i>	11.6%	8.5%	14.8%	12.5%
Net Profit	182.3	128.6	380.4	304.0
<i>Net margin</i>	5.7%	3.4%	10.5%	8.2%
Total Assets	3,401.1	3,540.3	3,792.5	n.a.
Cash & equiv.	138.8	-77.1	142.5	n.a.
Borrowings (ST and LT)	288.0	484.8	437.3	n.a.
Equity	2,319.8	2,260.8	2,521.7	2,825.8
Net Debt/ Equity	6.4%	24.9%	11.7%	n.a.

Source: Company data, Prospectus, NBG Securities estimates

*EBITDA = Operating result + Depreciation – Other operating revenues + Expenses with donations and assets sold

APPENDIX 4: Electricity utilities

Company summary profiles

Electrica Distributie Muntenia Nord

- *Sub-sector:* Electricity distribution
- *Market share:* 15.96% (2009)
- *Number of clients (end consumers):* n.a.
- *Controlling shareholder:* Electrica (78.0%)
- *FP stake:* 22.0%

RON mn, RAS	2007	2008	2009	2010e
Sales	972.3	614.6	611.5	635.9
EBITDA*	108.7	160.0	75.6	105.1
<i>EBITDA margin</i>	11.2%	26.0%	12.4%	16.5%
Net Profit	28.7	76.4	24.7	41.1
<i>Net margin</i>	2.9%	12.4%	4.0%	6.5%
Total Assets	1,268.4	1,575.9	1,677.2	n.a.
Cash & equiv.	51.0	111.8	103.8	n.a.
Borrowings (ST and LT)	0.0	0.0	0.0	n.a.
Equity	788.7	1,031.0	1,055.6	1,059.7
Net Debt/ Equity	net cash	net cash	net cash	n.a.

Electrica Distributie Transilvania Nord

- *Sub-sector:* Electricity distribution
- *Market share:* 10.78% (2009)
- *Number of clients (end consumers):* 1.16mn
- *Controlling shareholder:* Electrica (78.0%)
- *FP stake:* 22.0%

RON mn, RAS	2007	2008	2009	2010e
Sales	838.9	507.7	495.9	515.7
EBITDA*	86.6	88.6	90.6	92.8
<i>EBITDA margin</i>	10.3%	17.5%	18.3%	18.0%
Net Profit	11.2	24.2	14.0	19.0
<i>Net margin</i>	1.3%	4.8%	2.8%	3.7%
Total Assets	1,099.7	1,407.4	1,471.5	n.a.
Cash & equiv.	30.9	76.3	69.7	n.a.
Borrowings (ST and LT)	3.3	15.2	11.4	n.a.
Equity	495.1	754.1	768.1	770.0
Net Debt/ Equity	net cash	net cash	net cash	n.a.

Electrica Distributie Transilvania Sud

- *Sub-sector:* Electricity distribution
- *Market share:* 11.68% (2009)
- *Number of clients (end consumers):* 1.0mn
- *Controlling shareholder:* Electrica (78.0%)
- *FP stake:* 22.0%

RON mn, RAS	2007	2008	2009	2010e
Sales	964.4	525.4	539.2	560.8
EBITDA*	81.3	67.3	97.7	100.9
<i>EBITDA margin</i>	8.4%	12.8%	18.1%	18.0%
Net Profit	24.5	27.0	23.2	27.7
<i>Net margin</i>	2.5%	5.1%	4.3%	4.9%
Total Assets	1,082.0	1,348.6	1,447.7	n.a.
Cash & equiv.	49.3	72.4	38.1	n.a.
Borrowings (ST and LT)	0.0	0.0	0.0	n.a.
Equity	606.5	799.2	822.4	825.1
Net Debt/ Equity	net cash	net cash	net cash	n.a.

ENEL Distributie Banat

- *Sub-sector:* Electricity distribution
- *Market share:* 9.76% (2009)
- *Number of clients (end consumers):* 0.85mn
- *Controlling shareholder:* Enel Investment Holding (51.0%)
- *FP stake:* 24.13%

RON mn, RAS	2007	2008	2009	2010e
Sales	769.8	506.8	526.4	547.5
EBITDA*	214.1	169.5	203.3	205.3
<i>EBITDA margin</i>	27.8%	33.5%	38.6%	37.5%
Net Profit	158.1	114.9	150.7	140.2
<i>Net margin</i>	20.5%	22.7%	28.6%	25.6%
Total Assets	1,314.7	1,428.7	1,633.4	n.a.
Cash & equiv.	296.6	273.1	400.2	n.a.
Borrowings (ST and LT)	0.0	0.0	0.0	n.a.
Equity	945.3	999.9	1,152.5	1,292.6
Net Debt/ Equity	net cash	net cash	net cash	n.a.

ENEL Distributie Dobrogea

- *Sub-sector:* Electricity distribution
- *Market share:* 8.47% (2009)
- *Number of clients (end consumers):* 0.61 mn
- *Controlling shareholder:* Enel Investment Holding (51.0%)
- *FP stake:* 24.09%

RON mn, RAS	2007	2008	2009	2010e
Sales	574.7	384.6	391.5	407.1
EBITDA*	130.2	102.9	133.0	142.5
<i>EBITDA margin</i>	22.7%	26.8%	34.0%	35.0%
Net Profit	83.1	63.6	92.1	87.7
<i>Net margin</i>	14.5%	16.5%	23.5%	21.5%
Total Assets	951.0	1,051.3	1,198.8	n.a.
Cash & equiv.	168.7	186.4	228.3	n.a.
Borrowings (ST and LT)	0.0	0.0	0.0	n.a.
Equity	668.8	704.6	806.6	894.3
Net Debt/ Equity	net cash	net cash	net cash	n.a.

ENEL Distributie Muntenia

- *Sub-sector:* Electricity distribution
- *Market share:* 15.19% (2009)
- *Number of clients (end consumers):* 1.13mn
- *Controlling shareholder:* Enel Investment Holding (64.43%)
- *FP stake:* 12.00%

RON mn, RAS	2007*	2008	2009	2010e
Sales	1,720.1	1,440.5	732.7	762.0
EBITDA*	91.3	102.0	189.3	190.5
<i>EBITDA margin</i>	5.3%	7.1%	25.8%	25.0%
Net Profit	43.6	220.6	280.1	211.4
<i>Net margin</i>	2.5%	15.3%	38.2%	27.7%
Total Assets	1,782.0	3,373.2	3,929.6	n.a.
Cash & equiv.	148.1	1,773.4	1,854.9	n.a.
Borrowings (ST and LT)	0.0	0.0	0.0	n.a.
Equity	895.4	2,348.2	2,705.2	2,916.6
Net Debt/ Equity	net cash	net cash	net cash	n.a.

** before the unbundling of the distribution and supply activities finalised in mid-2008

E.ON Moldova Distributie

- *Sub-sector:* Electricity distribution
- *Market share:* 10.26% (2009)
- *Number of clients (end consumers):* n.a.
- *Controlling shareholder:* E.ON Romania (51.00%)
- *FP stake:* 22.00%

RON mn, IFRS	2007	2008	2009	2010e
Sales	n.a.	589.9	630.9	646.7
EBITDA*	n.a.	89.1	143.7	142.3
<i>EBITDA margin</i>	n.a.	15.1%	22.8%	22.0%
Net Profit	n.a.	20.1	51.0	48.5
<i>Net margin</i>	n.a.	3.4%	8.1%	7.5%
Total Assets	0.0	1,574.4	1,606.9	n.a.
Cash & equiv.	0.0	1.3	0.1	n.a.
Borrowings (ST and LT)	0.0	26.6	15.3	n.a.
Equity	0.0	687.8	738.8	787.3
Net Debt/ Equity	n.a.	3.7%	2.0%	n.a.

Electrica Furnizare Muntenia Nord

- *Sub-sector:* Electricity supply
- *Market share:* 8% (2009)
- *Number of clients (end consumers):* 1.26mn
- *Controlling shareholder:* Electrica (78.00%)
- *FP stake:* 22.00%

RON mn, RAS	2007	2008	2009	2010e
Sales	n.a.	1,281.8	1,326.2	1,379.3
EBITDA*	n.a.	-15.9	-11.9	-13.8
<i>EBITDA margin</i>	n.a.	-1.2%	-0.9%	-1.0%
Net Profit	n.a.	7.2	18.4	20.7
<i>Net margin</i>	n.a.	0.6%	1.4%	1.5%
Total Assets	0.0	319.0	392.6	n.a.
Cash & equiv.	0.0	13.8	10.0	n.a.
Borrowings (ST and LT)	0.0	13.3	2.9	n.a.
Equity	0.0	14.3	14.2	16.3
Net Debt/ Equity	n.a.	net cash	net cash	n.a.

Electrica Furnizare Transilvania Nord

- Sub-sector: Electricity supply
- Market share: 7% (2009)
- Number of clients (end consumers): 1.16mn
- Controlling shareholder: Electrica (78.00%)
- FP stake: 22.00%

RON mn, RAS	2007	2008	2009	2010e
Sales	n.a.	1,151.1	1,175.6	1,222.6
EBITDA*	n.a.	5.1	-11.0	-12.2
EBITDA margin	n.a.	0.4%	-0.9%	-1.0%
Net Profit	n.a.	0.7	0.6	2.6
Net margin	n.a.	0.1%	0.1%	0.2%
Total Assets	0.0	358.2	336.1	n.a.
Cash & equiv.	0.0	11.6	8.9	n.a.
Borrowings (ST and LT)	0.0	14.8	7.6	n.a.
Equity	0.0	29.1	29.5	29.7
Net Debt/ Equity	n.a.	10.9%	net cash	n.a.

Electrica Furnizare Transilvania Sud

- Sub-sector: Electricity supply
- Market share: 8% (2009)
- Number of clients (end consumers): 1.06mn
- Controlling shareholder: Electrica (78.00%)
- FP stake: 22.00%

RON mn, RAS	2007	2008	2009	2010e
Sales	n.a.	1,353.8	1,335.1	1,388.5
EBITDA*	n.a.	-16.7	-28.8	-27.8
EBITDA margin	n.a.	-1.2%	-2.2%	-2.0%
Net Profit	n.a.	9.7	0.8	3.0
Net margin	n.a.	0.7%	0.1%	0.2%
Total Assets	0.0	346.9	383.4	n.a.
Cash & equiv.	0.0	9.2	8.4	n.a.
Borrowings (ST and LT)	0.0	23.9	33.8	n.a.
Equity	0.0	44.3	40.3	40.6
Net Debt/ Equity	n.a.	33.1%	63.1%	n.a.

Enel Energie

- Sub-sector: Electricity supply
- Market share: 11% (2009)
- Number of clients (end consumers): 1.46mn
- Controlling shareholder: Enel Investment Holding (51.0%)
- FP stake: 12.00%

RON mn, RAS	2007	2008	2009	2010e
Sales	n.a.	1,817.6	1,849.6	1,923.6
EBITDA*	n.a.	27.3	-114.6	-96.2
EBITDA margin	n.a.	1.5%	-6.2%	-5.0%
Net Profit	n.a.	82.8	-46.7	-38.5
Net margin	n.a.	4.6%	-2.5%	-2.0%
Total Assets	0.0	690.9	645.0	n.a.
Cash & equiv.	0.0	142.4	159.1	n.a.
Borrowings (ST and LT)	0.0	0.0	0.0	n.a.
Equity	0.0	243.4	196.8	158.3
Net Debt/ Equity	n.a.	net cash	net cash	n.a.

Enel Energie Muntenia

- Sub-sector: Electricity supply
- Market share: 12% (2009)
- Number of clients (end consumers): 1.12mn
- Controlling shareholder: Enel Investment Holding (64.43%)
- FP stake: 12.00%

RON mn, RAS	2007	2008**	2009	2010e
Sales	n.a.	679.6	1,919.5	1,996.3
EBITDA*	n.a.	47.0	-20.7	-20.0
EBITDA margin	n.a.	6.9%	-1.1%	-1.0%
Net Profit	n.a.	87.2	13.4	15.0
Net margin	n.a.	12.8%	0.7%	0.8%
Total Assets	0.0	745.5	757.9	n.a.
Cash & equiv.	0.0	350.0	372.8	n.a.
Borrowings (ST and LT)	0.0	0.0	0.0	n.a.
Equity	0.0	295.2	308.6	323.6
Net Debt/ Equity	n.a.	net cash	net cash	n.a.

**at set-up in mid-2008

E.ON Moldova Furnizare

- Sub-sector: Electricity supply
- Market share: 8% (2009)
- Number of clients (end consumers): 1.3mn
- Controlling shareholder: E.ON Romania (51%)
- FP stake: 22.00%

RON mn, IFRS	2007	2008	2009	2010e
Sales	n.a	1,476.4	1,448.6	1,484.8
EBITDA*	n.a	-61.2	-98.4	-74.2
EBITDA margin	n.a	-4.1%	-6.8%	-5.0%
Net Profit	n.a	2.4	-44.4	-37.1
Net margin	n.a	0.2%	-3.1%	-2.5%
Total Assets	0.0	735.4	688.5	n.a.
Cash & equiv.	0.0	4.3	14.3	n.a.
Borrowings (ST and LT)	0.0	16.7	0.1	n.a.
Equity	0.0	162.9	118.6	81.5
Net Debt/ Equity	n.a	7.6%	net cash	n.a.

Source: Company data, Prospectus, NBG Securities estimates

*EBITDA = Operating result + Depreciation – Other operating revenues + Expenses with donations and assets sold

APPENDIX 5: Airports and port operators

Company summary profiles

CN Aeroporturi Bucuresti

- Sub-sector: Airports
- Set-up in Feb 2010 through the merger of Hendri Coanda Airport and Baneasa Aurel Vlaicu Airport
- Market share: 71% (2009)
- Number of passengers: 6.46mn
- Controlling shareholder: Ministry of Transportation (80.0%)
- FP stake: 20.0%

RON mn, RAS	2007	2008	2009e**	2010e
Sales	n.a.	n.a.	395.7	425.4
EBITDA*	n.a.	n.a.	152.6	191.8
EBITDA margin	n.a.	n.a.	38.6%	45.1%
Net Profit	n.a.	n.a.	82.8	82.9
Net margin	n.a.	n.a.	20.9%	19.5%
Total Assets	n.a.	n.a.	7,662.5	n.a.
Cash & equiv.	n.a.	n.a.	63.2	n.a.
Borrowings (ST and LT)	n.a.	n.a.	12.7	n.a.
Equity	n.a.	n.a.	5,028.1	5,036.3
Net Debt/ Equity	n.a.	n.a.	net cash	n.a.

**NBG Securities estimates for 2009 (post-merger)

AI Timisoara - Traian Vuia

- Sub-sector: Airports
- Market share: 11% (2009)
- Number of passengers: 0.96mn
- Controlling shareholder: Ministry of Transportation (80.0%)
- FP stake: 20.0%

RON mn, RAS	2007	2008	2009	2010e
Sales	23.5	30.5	41.1	47.2
EBITDA*	5.8	9.6	9.3	11.8
EBITDA margin	24.9%	31.6%	22.6%	25.0%
Net Profit	2.4	4.9	3.5	5.8
Net margin	10.3%	16.0%	8.5%	12.3%
Total Assets	118.7	141.8	162.3	n.a.
Cash & equiv.	1.9	2.6	1.2	n.a.
Borrowings (ST and LT)	0.0	1.3	5.5	n.a.
Equity	18.5	22.1	24.7	25.3
Net Debt/ Equity	net cash	net cash	17.4%	n.a.

AI Mihail Kogalniceanu

- Sub-sector: Airports
- Market share: 1% (2009)
- Number of passengers: 93k
- Controlling shareholder: Ministry of Transportation (60.0%)
- FP stake: 20.0%

RON mn, RAS	2007	2008	2009	2010e
Sales	20.1	13.3	14.1	14.4
EBITDA*	0.3	0.7	0.5	0.5
EBITDA margin	1.7%	5.6%	3.3%	3.5%
Net Profit	0.0	0.4	0.1	0.1
Net margin	0.0%	3.4%	0.7%	0.9%
Total Assets	47.3	56.3	52.8	n.a.
Cash & equiv.	1.9	1.7	0.7	n.a.
Borrowings (ST and LT)	0.0	0.0	0.0	n.a.
Equity	7.8	12.4	12.5	12.5
Net Debt/ Equity	net cash	net cash	net cash	n.a.

CN Admin. Porturilor Dunarii Maritime

- Sub-sector: Ancillary services for water transportation
- Total cargo traffic: 7.8mn tons
- Controlling shareholder: Ministry of Transportation (80.0%)
- FP stake: 20.0%

RON mn, RAS	2007	2008	2009	2010e
Sales	8.8	9.4	9.3	9.3
EBITDA*	-3.3	-0.9	-0.2	-0.1
EBITDA margin	-37.8%	-9.9%	-1.8%	-1.5%
Net Profit	-0.3	0.0	0.2	0.2
Net margin	-3.4%	0.1%	1.8%	1.9%
Total Assets	22.7	21.2	25.5	n.a.
Cash & equiv.	0.2	0.5	0.2	n.a.
Borrowings (ST and LT)	0.3	0.2	0.1	n.a.
Equity	6.7	6.7	8.4	8.5
Net Debt/ Equity	1.7%	net cash	net cash	n.a.

CN Admin. Porturilor Dunarii Fluviale

- *Sub-sector:* Ancillary services for water transportation
- *Port cargo traffic:* 2.8mn tons
- *Controlling shareholder:* Ministry of Transportation (80.0%)
- *FP stake:* 20.0%

RON mn, RAS	2007	2008	2009	2010e
Sales	16.1	19.9	18.6	18.6
EBITDA*	7.0	6.7	5.2	5.3
<i>EBITDA margin</i>	43.3%	33.4%	28.1%	28.6%
Net Profit	5.0	4.4	3.4	3.1
<i>Net margin</i>	31.2%	22.1%	18.4%	16.8%
Total Assets	44.3	42.0	50.6	n.a.
Cash & equiv.	5.6	3.8	3.3	n.a.
Borrowings (ST and LT)	0.0	0.0	0.0	n.a.
Equity	10.8	12.6	21.3	21.6
Net Debt/ Equity	net cash	net cash	net cash	n.a.

CN Admin. Porturilor Maritime Constanta

- *Sub-sector:* Ancillary services for water transportation
- *Port cargo traffic:* 42.0mn tons
- *Controlling shareholder:* Ministry of Transportation (60.0%)
- *FP stake:* 20.0%

RON mn, RAS	2007	2008	2009	2010e
Sales	177.3	220.0	209.8	209.8
EBITDA*	45.7	50.6	41.1	42.0
<i>EBITDA margin</i>	25.8%	23.0%	19.6%	20.0%
Net Profit	13.5	12.1	12.4	8.8
<i>Net margin</i>	7.6%	5.5%	5.9%	4.2%
Total Assets	929.2	1,025.7	999.5	n.a.
Cash & equiv.	36.3	27.4	34.6	n.a.
Borrowings (ST and LT)	109.1	102.3	89.4	n.a.
Equity	273.7	277.8	302.3	303.2
Net Debt/ Equity	26.6%	27.0%	18.1%	n.a.

CN Admin. Canalelor Navigabile

- *Sub-sector:* Ancillary services for water transportation
- *Port cargo traffic:* 9.3mn tons
- *Controlling shareholder:* Ministry of Transportation (80.0%)
- *FP stake:* 20.0%

RON mn, RAS	2007	2008	2009	2010e
Sales	26.3	36.6	36.1	36.1
EBITDA*	4.5	6.6	6.7	7.5
<i>EBITDA margin</i>	17.1%	18.1%	18.4%	20.8%
Net Profit	0.2	2.1	2.5	2.5
<i>Net margin</i>	0.7%	5.7%	7.0%	7.0%
Total Assets	81.5	90.3	94.9	n.a.
Cash & equiv.	11.0	10.0	9.7	n.a.
Borrowings (ST and LT)	0.0	0.0	0.0	n.a.
Equity	75.3	77.2	78.6	78.9
Net Debt/ Equity	net cash	net cash	net cash	n.a.

Source: Company data, Prospectus, NBG Securities estimates

*EBITDA = Operating result + Depreciation – Other operating revenues + Expenses with donations and assets sold

APPENDIX 6: Electricity sector overview

Real market openness at 45% in 2009

The electricity market has experienced a series of ups and downs since the peaks in consumption and production in 1989. Both fell throughout the first ten post-revolutionist years, then started rising again until the beginning of the global economic crisis in 2007-2008.

In order to comply with EU regulations, both the natural gas and electricity markets have been fully liberalised starting July 2007, which allowed consumers to choose their supplier. In 2009, the consumers who exercised this option and have chosen their supplier (mainly industrial companies acting on the competitive market) accounted for 45% of the total electricity consumption, or 18.5 TWh. Thus, the real market openness degree reached 45%. The consumption on the regulated market of "captive" consumers reached 23 TWh, with households accounting for 48% of this market (11 TWh).

Wholesale market

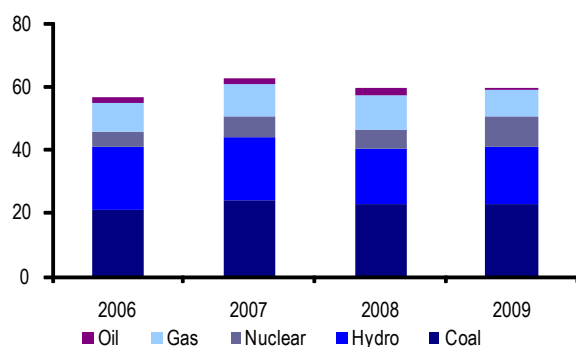
The wholesale electricity market comprises four segments:

- *bilateral contracts market*: brings together suppliers and producers, with electricity prices set up by the ANRE or by the two parties without public disclosure; makes-up for 77% of total traded electricity.
- *centralised market* (transparent): provides a transparent framework for energy deals and accommodates non-standardised public auctions as well as the continuous negotiation market; makes-up for 8% of traded electricity.
- *balancing market*: allows participants to trade active electricity in each delivery day interval by only submitting one buy and sell offer for each trading period; makes-up for 8% of traded electricity.
- *day-ahead market*: operated by Transelectrica, deals with compensating the gap between contracted and real-time consumption and production values; makes-up for 4% of traded electricity.

Production segment

At 2009 year-end, installed electricity generating capacity was divided between 5 major sources as follows: coal fired plants – 7.3 GW, hydro-plants - 6.4 GW, gas and oil plants – 5.3 GW and nuclear plants – 1.4 GW, totalling around 20.4 GW countrywide. Changes in the generation sector by primary source can be observed in the graph below.

Electricity generation by primary source (TWh)



Source: ANRE

Electricity generation (GWh) and market share by producer - 2009

Producer	Electricity generated (GWh)	Market Share (%)
Hidroelectrica	15,513	27.4%
Nuclearelectrica	11,752	20.7%
CE Turceni	6,220	11.0%
CE Rovinari	5,354	9.4%
CE Craiova	4,393	7.8%
Electrocentrale Bucuresti	4,890	8.6%
Electrocentrale Deva	4,369	7.7%
Termoelectrica	2,648	4.7%
Others	1,554	2.7%

Source: ANRE

77% total market share of the companies where FP holds equity interest

Investments

In terms of assets, the power generators' production facilities require significant infrastructure investments in order to align them to international and European environmental regulations. The projects of this kind are eligible to be co-financed with EU funds, but require a company's own funding component.

Several projects have been announced during the past years for revamping and expansion of new facilities. One of the largest investments is carried out by OMV Petrom in a new state-of-the-art CCGT power plant with 860 MW which is to be commissioned in Q3'2011. The renewable energy sector, mainly wind, will also be receiving a great attention in the near future, with the largest project announced so far entailing an installed capacity of 600MW.

Projected capacity additions (MW)

	2011	2012	2013
Thermal power plants (gas)	1,074	557	570
Hydro power plants	27	173	49
Renewable energy power plants (wind)	260	284	486
Others	-	14	-
Total	1,361	1,028	1,105

Source: Transelectrica

Electra and Hidroenergetica

The power generators are currently at the onset of a major restructuring process as the Government ratified the formation of two energy giants in 2010, namely Electra and Hidroenergetica, through the merger of state-owned power producers. The former will result from the spin-off of around 19% of Hidroelectrica's net asset value and other electricity producers, while the latter will be the outcome of merging the rest of Hidroelectrica's assets (81%) with two thermal electricity producers. The Government, through the Ministry of Finance, will own 84.4% of Electra and 63.8% of Hidroenergetica, while Fondul Proprietatea will own 15.1% and 15.9% respectively.

Electra	Hidroenergetica
Composition	
CE Craiova	80% of Hidroelectrica assets
CE Turceni	Electrocentrale Bucuresti
CE Rovinari	Electrocentrale Deva
Nuclearelectrica	Other subsidiaries of Transelectrica
20% of Hidroelectrica assets	National Coal Company
National Lignite Company	
Projected shareholding structure after merger	
Ministry of Economy	84.4%
Fondul Proprietatea	15.1%
Termoelectrica	0.3%
Others	0.2%
Ministry of Economy	63.8%
Fondul Proprietatea	15.9%
Termoelectrica	20.2%
Others	0.0%

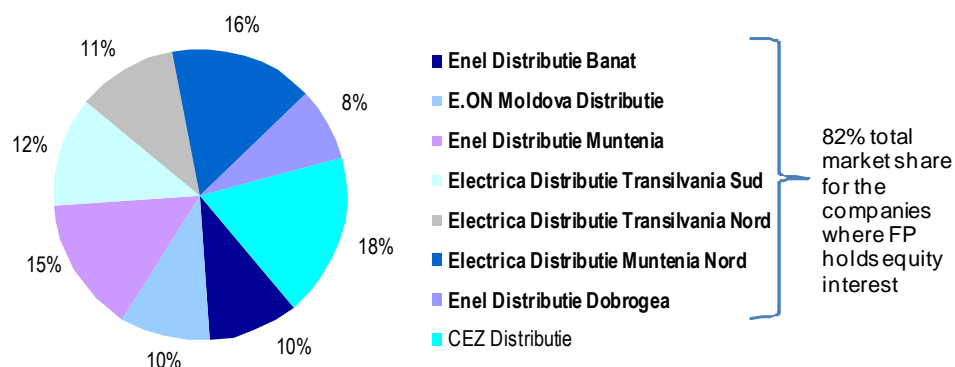
Source: Ministry of Economy

Note: Fondul Proprietatea holds equity interests in the highlighted companies

This reorganisation plan for the electricity generating sectors has faced delays and opposition from various stakeholders, among which Fondul Proprietatea. At the moment, the process is suspended for Electra.

Distribution

The distribution network covers around 8.8mn households that received nearly 39.5TWh in 2009 (7% lower yoy), which accounted for 3/4 of the total production.

Electricity distributors market share (2009)

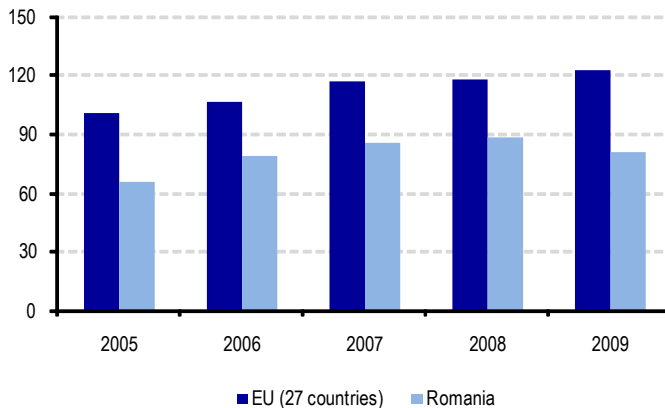
Source: ANRE

Regulatory framework

Concerning the regulation of electricity distribution, the current standard is the "tariffs basket cap" methodology, meaning that the tariffs set by the National Authority in the Energy Sector (ANRE) allow for a regulated real return on assets above the agreed costs. Costs are split into controllable (maintenance, salaries) and uncontrollable (taxes), while revenues are set in real

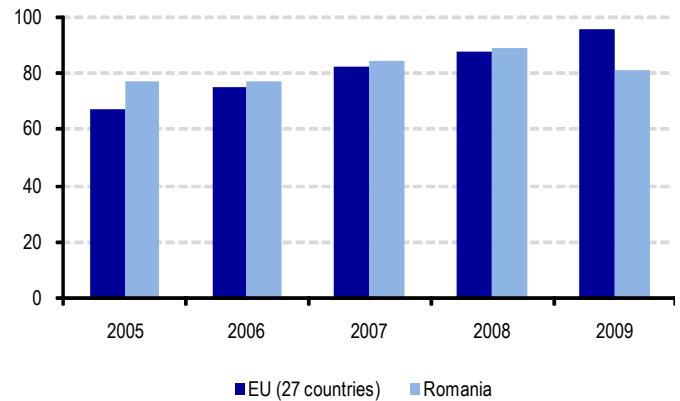
terms and are smoothened and adjusted over the regulatory period. The return on assets is set using the pre-tax weighted average cost of capital. For the current regulatory period (2008-2012), the return on assets was set at 10% for the privatized electricity distributors and 7% for the distributors still controlled by the Romanian State through Electrica.

Electricity prices for households (EUR/MWh)



Source: EUROSTAT

Electricity prices for industrials (EUR/MWh)

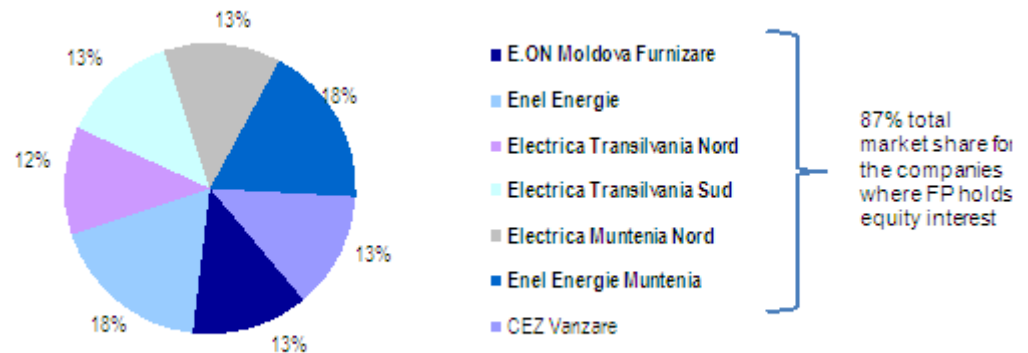


Source: EUROSTAT

Supply segment

The number of registered suppliers at 2009-end stood at 71, out of which 30 were operating exclusively as wholesalers and 41 had operations on both wholesale and retail market (including seven "implicit" suppliers which act on the regulated segment of the retail market). Though the local electricity sector had been 100% liberalised since 2007, the real degree of market openness currently stands at 45%.

Implicit suppliers - market share on the regulated segment (2009)



Source: ANRE

Market share of suppliers on retail market (competitive segment, 2009)

Supplier	Market Share (%)	Supplier	Market Share (%)
Alro	16%	Enel Energie*	3%
CE Craiova	11%	Furnizare Transilvania Sud*	3%
Ehol Distribution	7%	E.ON Moldova Furnizare*	3%
Electrica	7%	Enel Energie Muntenia*	2%
Buzmann Industries	5%	CEZ Vanzare*	2%
Elcomex	5%	Transenergo Com	2%
Electromagnetica	5%	Tinmar Ind	2%
PetProd	5%	Transilvania Nord*	2%
Euro Pec	4%	Muntenia Nord*	1%
EGL Gas&Power Romania	3%	Others	10%

Source: ANRE

*These are also "implicit suppliers"

Note: Fondul Proprietatea holds equity interests in the highlighted companies

"Implicit" revenues are regulated by ANRE, who sets the acquisition energy mix for suppliers and allows a 2.5% return over the electricity acquisition cost. Tariffs can be revised semiannually.

Transmission

Natural monopoly

Electricity transmission is a natural and legal monopoly in Romania, with the service being provided by Transelectrica (Fondul Proprietatea holds 15% equity interest in the company).

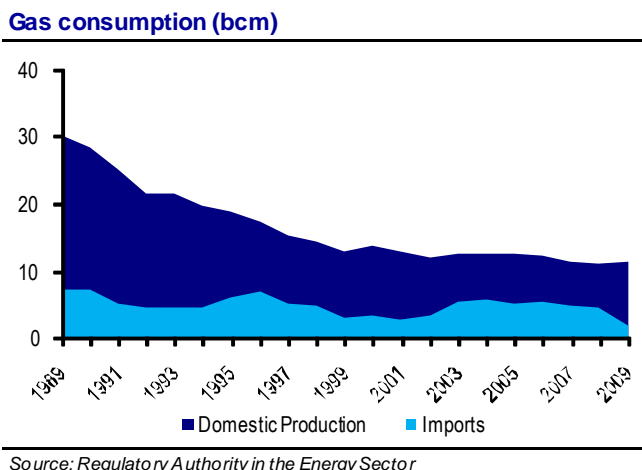
Transelectrica transported c. 52.3 TWh in 2009, 11% lower yoy. The company manages the grid and dispatch infrastructure, the allocation of interconnection capacity and of green certificates, operates the balancing market platform and the trading platform for the centralised market (OPCOM) and monitors the wholesale electricity market. Revenues from market balancing and technological services are pass-through revenues (have an equal correspondent on the costs side) and account for c. 60% of total turnover.

The transmission tariff that the company charges has been based, from the beginning of 2005, on a revenue cap methodology; ANRE sets annual target revenues over five-year periods, which are intended to cover the company's operating costs and the regulated return on the asset base. As with supply, costs are divided into controllable and uncontrollable and are required to decrease by a certain amount annually (efficiency factor), while revenues are set in real terms and smoothed over the regulation period. The regulated return on the asset base (RAB) for the period 2008-2012 has been agreed at 7.5%, using a pre-tax weighted average cost of capital.

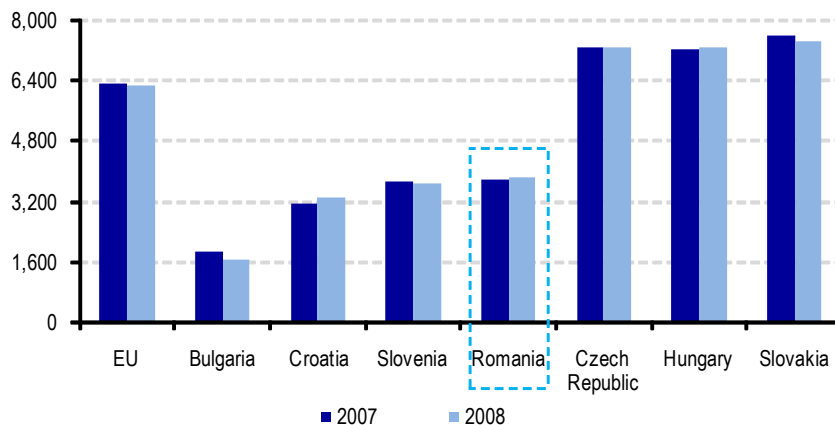
APPENDIX 7: Gas sector overview

Gas consumption below EU levels

Although the largest natural gas producer in Central and Eastern Europe, Romania has experienced severe production setbacks (to 11 bcm in 2009 from 30 bcm in mid 80s), mainly due to depleting resources, with current proven reserve levels at around 141 bcm (876mn boe). Holding a net importer status at the moment, the country mostly draws the needed gas balance from Russia, while the EU-planned Nabucco pipeline could emerge as a future alternative. Current consumption levels predict that resources will be depleted in about 15 years.



Gas consumption per capita in Romania vs. other EU countries (kWh/capita)



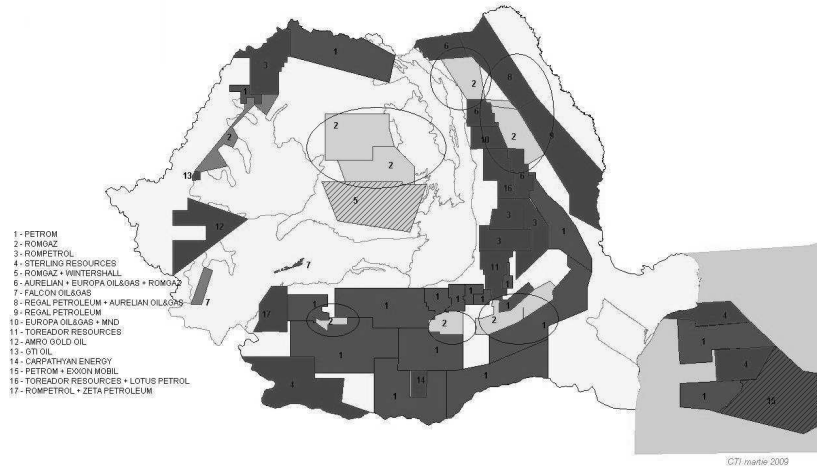
In 2000, following European competition directives, the gas market was unbundled through the spin-off of the vertically integrated energy company Romgaz into three segments: exploration and production (Romgaz), transmission (Transgaz) and distribution & supply (Distrigaz Nord and Distrigaz Sud). The latter two have been privatised to GDF Suez and E.ON, and distribution and supply have been subsequently unbundled in accordance with EU regulations. The national regulating body is ANRE.

Production and storage

Romgaz and Petrom split evenly the production segment

Romgaz and OMV Petrom generate 99% of gas production in Romania (Romgaz – 52%, Petrom – 47%). Total domestic production was 11 bcm in 2009, which covered 85% of total domestic consumption.

E&P exploration blocks

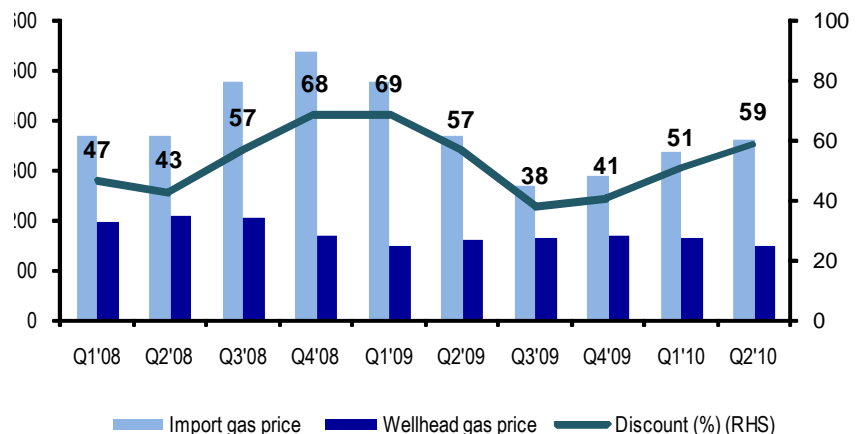


Source: ANRM, Fondul Proprietatea

Regulatory framework

In terms of pricing, although the ANRE claims that gas prices can be set freely by the domestic producers, so far the *indicative prices* (set at c.50% of the international gas price) have been observed by both Romgaz and OMV Petrom.

Natgas wellhead price vs. import price (USD/000 m3)



Source: Petrom

As regards storage, the eight existing storage facilities allow for 3.2 bcm. Romgaz owns six of the eight storage facilities available (2.8 bcm) with plans to increase capacity by 40%. Gas storage activity is currently regulated through the revenue cap methodology, allowing for a 7.88% return on the regulated asset base above costs.

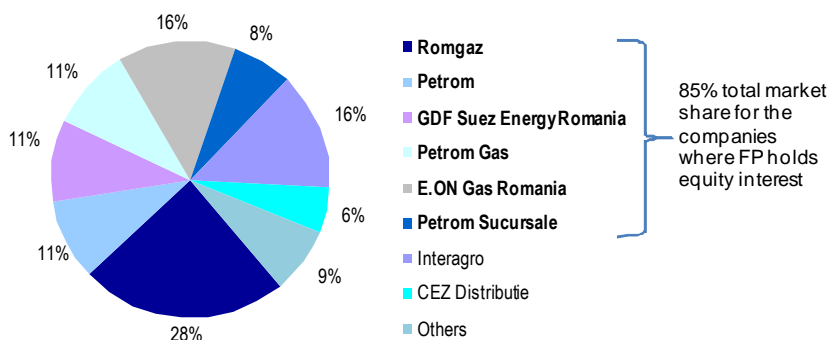
Supply and distribution

56% market openness

The Romanian gas market has been liberalised since mid-2007, but the real degree of openness, meaning the percentage of consumers that actually choose their supplier, stands at about 56%.

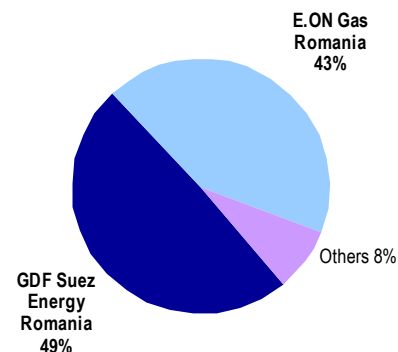
The chart below illustrates the market share breakdown of suppliers in the competitive segment, whereas the regulated sector holds only two major players: GDF Suez Energy Romania (49%) and E.ON Gas Romania (43%).

Market share of gas suppliers in the competitive segment...



Source: ANRE

...and the regulated segment (2009)



Source: ANRE

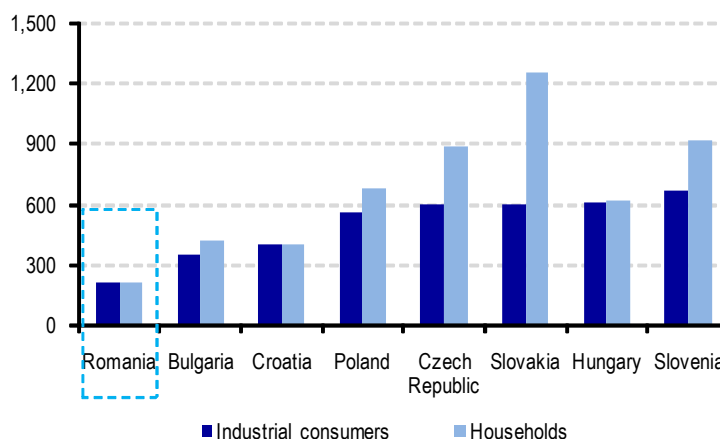
With regards to distributors, the market (made up of 19 players) is dominated in the South by Distrigaz Sud Retele (51% owned by Gaz de France) and in the North by E.ON Gas Distributie (controlled by E.ON Ruhrgas), making up 92% of the market in 2009. They operate with an regulated rate of return at 8.63% on the RAB, based on a fixed and variable cost structure, using the following methodology. The regulated revenue formula is:

$$BR = OPEX + RROR \times RAB + RD$$

where: BR – base revenue (estimated for the first year), OPEX – operating expenses (estimated for the first year), RROR – regulated rate of return, RAB – regulated asset base, RD – regulated depreciation (for the first year). This figure is adjusted in the following years with: inflation rate minus efficiency factor (set at 6% for 2008-2012 period), to encourage cost reduction; return on commissioned investments; difference between certain realised and forecast costs; difference between real and forecast volumes; and unforeseen costs. The regulatory period is five years.

As a member-country, Romania has to regulate and align its gas prices to European standards, as it currently has the lowest end-consumer domestic gas price in the EU (USD 160/m³). The components of the regulated price are: acquisition price of domestic gas (around 60% lower than imported price) or imported gas, underground storage tariff, transport and distribution tariff. Also, distributors and suppliers have the obligation to provide public utility services such as guaranteeing access to a public utility of general interest to any consumer and insuring the security and continuity of the gas supply.

Gas prices to end-consumer in Romania vs. other EU countries (H2'09, USD/'000 m3)



Source: EUROSTAT

Transmission

Gas transmission is also a natural monopoly activity in Romania and is performed by Transgaz (Fondul Proprietatea holds 15% equity interest in the company) which has a three-fold role: domestic gas transmission (connecting producers and suppliers to distributors and consumers),

natural gas dispatch (balancing gas upload and download) and international transit (through dedicated pipelines).

In 2009, the length of the transport pipelines network was of 13,097 km with a transport capacity of around 40 bcm of natural gas per year.

Transgaz is also one of the six companies which participate in the Nabucco pipeline project (holds a 16.6% stake). The pipeline, projected to run from Turkey to Austria, unfolds across 3,300 km, out of which 457 km on Romanian territory. Nabucco is designed for a maximum capacity of 31 bcm/year.

Transmission tariffs charged by Transgaz are set up with the ANRE, using the revenue cap methodology. They reflect the allowed RRoR on the RAB and operating and periodical costs (government taxes, royalties). The RRoR (now at 7.88%) represents the real, pre-tax allowed return on RAB, calculated using post-tax, regulated WACC.

APPENDIX 8: NAV computation in accordance with NSC regulations

The Fund is required to prepare an NSC NAV report (i.e. the Fund's net asset value calculated in accordance with the regulations enforced by the National Securities Commission) on a monthly basis. This NSC NAV is certified by the Depository, after which it is published on the Fund's website (on 15th of every month). The Fund appointed KPMG Romania to prepare the monthly NSC NAV between 31 May 2010 - 31 October 2010.

NSC NAV monthly values

Date	NSC NAV (RON mn)	NSC NAV per share (RON)
30 November 2010*	15,901.86	1.1541
31 October 2010	13,491.90	0.9792
30 September 2010	13,396.92	0.9723
31 August 2010	14,322.83	1.0410
30 July 2010	14,643.47	1.0283
30 June 2010	14,842.85	1.0423
31 May 2010	14,869.26	1.0442

Source: Fondul Proprietatea; * change in NSC regulations

NSC NAV at November-end

	RON mn
Assets	16,031
Cash & equiv.	1,421
Receivables	4
Financial assets	14,606
Other financial assets	0
Prepayments	0
Liabilities	129
Short-term liabilities	115
Provisions	14
NSC NAV	15,902
Number of shares (mn)	13,778
NSC NAV per share (RON)	1.1541

Source: Fondul Proprietatea

According to the NSC regulation 17/2010, the following valuation rules apply:

(1) Valuation of the securities and money market instruments admitted to or traded in a regulated market:

- at closing price - for securities and money market instruments traded in the last 30 days;
- valuation methods in line with the international valuation standards (consistent with the fair value principles) - for securities not traded during the last 30 days;
- a method based on the daily interest accrual - for money market instruments not traded during the last 30 days.

(2) Valuation of the shares not admitted to trading in a regulated market is based on the issuer's equity book value, according to its last financial statement, or other valuation methods compliant with the international valuation standards (consistent with the fair value principles).

The 30 November 2010 NAV reflects the changes introduced through the NSC regulation 17/2010. The new methodology sets the valuation of listed holdings based on their last market price (vs. a 90-days average before) and that of the unlisted holdings based on their book value (latest available and disregarding the previous discount based on ownership), or according to the international valuation standards.

Worth to mention though that, for November 30 NSC NAV, the unlisted shares are valued at their book value and not at fair value, as the disclosure documents published by Fondul Proprietatea on its website read. Nevertheless, Franklin Tempelton stated that the December NAV update will include also fair values for some of the unlisted companies (no other details were provided).

APPENDIX 9: Valuation summary of most important stakes

Company		Type	PFs stake	PFs stake value (RON mn), as per:		
				NSC NAV*	Independent evaluator**	NBG Securities
1	Petrom	Listed	20.1%	3,736.3	3,642.2	4,009.7
2	Hidroelectrica	Unlisted	19.9%	3,287.0	2,675.5	2,445.7
3	Romgaz	Unlisted	15.0%	1,245.7	1,534.3	1,120.8
4	CE Turceni	Unlisted	24.8%	530.1	400.6	630.4
5	CN Aeroporturi Bucuresti	Unlisted	20.0%	1,005.6	322.4	571.8
6	Nuclearelectrica	Unlisted	9.7%	705.6	644.3	520.1
7	Transgaz	Listed	15.0%	461.1	446.0	493.9
8	CE Craiova	Unlisted	24.4%	267.3	213.4	406.3
9	CE Rovinari	Unlisted	23.6%	251.3	201.4	308.4
10	GDF Suez Energy	Unlisted	12.0%	302.6	368.1	276.8
11	ENEL Distributie Banat	Unlisted	24.1%	278.1	474.8	266.5
12	Alo	Listed	9.9%	198.4	195.2	226.7
13	Enel Distributie Muntenia	Unlisted	12.0%	324.6	434.6	208.0
14	Transelectrica	Listed	13.5%	181.1	184.5	216.7
15	ENEL Distributie	Unlisted	24.1%	194.4	304.9	181.1
16	Electrica Distributie	Unlisted	22.0%	232.2	239.3	165.7
17	E.ON Moldova Distributie	Unlisted	22.0%	180.9	226.4	152.2
18	Electrica Distributie	Unlisted	22.0%	180.9	227.5	137.1
19	Electrica Distributie	Unlisted	22.0%	169.0	220.9	129.3
20	E.ON Gaz Distributie	Unlisted	12.0%	108.0	165.7	97.0
21	E.ON Gaz Romania	Unlisted	12.0%	99.1	105.8	87.3
22	CN Admin. Porturilor	Unlisted	20.0%	60.4	58.1	82.8
23	Posta Romana	Unlisted	25.0%	169.5	240.0	84.7
24	Conpet	Listed	20.1%	49.0	58.4	58.2
25	Enel Energie Muntenia	Unlisted	12.0%	37.0	56.4	47.8
26	Societatea Nationala a	Unlisted	49.0%	78.5	87.1	39.3
27	ENEL Energie	Unlisted	12.0%	23.6	40.7	29.8
28	E.ON Moldova Furnizare	Unlisted	22.0%	32.7	44.6	29.7
29	Primcom	Listed	79.0%	18.5	54.1	21.4
30	Electrica Furnizare	Unlisted	22.0%	3.1	61.4	26.1
31	Electrica Furnizare	Unlisted	22.0%	8.9	61.5	26.9
32	Electrica Furnizare	Unlisted	22.0%	6.5	51.4	21.1
33	CN Admin. Canalelor	Unlisted	20.0%	15.7	13.1	19.0
34	Azomures	Listed	7.7%	19.1	18.3	20.6
35	AI Timisoara - Traian Vuia	Unlisted	20.0%	4.9	18.6	19.4
36	Romaero	Listed	21.0%	19.7	65.3	15.1
37	Zirom	Unlisted	100.0%	34.7	41.4	17.4
38	Oil Terminal	Listed	10.0%	14.2	16.3	13.1
39	CN Admin. Porturilor	Unlisted	20.0%	3.8	3.4	8.4
40	CN Admin. Porturilor	Unlisted	20.0%	1.7	2.1	3.8
41	AI Mihail Kogalniceanu	Unlisted	20.0%	2.5	2.8	3.9
	Others (42)	Listed/ Unlisted		63.0	134.3	36.0
83	Total portfolio			14,606.1	14,356.9	13,276.0

Notes

*according to National Securities Commission regulations (at November 2010)

** Done by KPMG, JPA Audit&Consultanta and Darian DRS at May 2010

*** NBG Securities estimates with prices as of January 10, 2011

APPENDIX 10: Financial statements (IFRS)

Balance Sheet (IFRS, RON mn)	2007	2008	2009
Assets			
Cash	0.5	1.5	1.5
Deposits with banks	593.7	578.7	2,167.8
Treasury bills	0.0	397.6	0.0
Dividends receivable	4.2	0.5	0.0
Receivables in respect of equity contributions	129.0	78.3	14.5
Equity investments	13,416.2	9,005.5	9,542.0
Deferred tax assets	0.0	696.8	542.2
Other assets	0.9	1.9	0.7
Total Assets	14,144.5	10,760.9	12,268.7
Liabilities			
Deferred tax liabilities	17.3	0.0	0.0
Other liabilities	4.9	11.1	8.3
Total Liabilities	22.2	11.1	8.3
Equity			
Share capital	13,757.6	13,757.6	13,757.6
Fair value reserve on AFS financial assets	528.0	50.0	859.6
Other reserves	38.2	149.5	199.5
Accumulated loss	(201.6)	(3,207.3)	(2,556.3)
Total Equity	14,122.3	10,749.7	12,260.4
Total Liabilities & Equity	14,144.5	10,760.9	12,268.7

Source: Fondul Proprietatea

Income Statement (IFRS, RON mn)	2007	2008	2009
Gross dividend Income	227.6	422.8	120.1
Interest income	28.0	84.5	142.5
Impairment losses on equity investments	(243.5)	(3,892.1)	(1.5)
Impairment losses on dividends receivable	-38.4	9.4	0.0
Gains/ (losses) on disposal of equity investment	32.4	0.0	554.4
Net foreign exchange gains	18.0	19.5	14.7
Net investment Income/ (loss)	24.1	(3,355.8)	830.2
Personnel expenses	(2.4)	(6.6)	(13.5)
Other operating expenses	(3.2)	(11.7)	(9.3)
Operating expenses	(5.5)	(18.3)	(22.8)
Profit/ (Loss) before tax	18.6	(3,374.2)	807.4
Income Tax	3.1	569.7	(106.3)
Profit/ (Loss) for the year	21.7	(2,804.5)	701.1

Source: Fondul Proprietatea

APPENDIX 11: Financial statements (RAS)

Balance Sheet (RAS, RON mn)	2007	2008	2009	6M'10
Current Assets	1,212.7	1,539.6	2,666.8	2,877.9
Cash and equivalents	592.2	572.2	2,151.2	2,226.6
Receivables	620.5	569.8	515.5	651.3
Inventory	0.0	0.0	0.0	0.0
Short term financial investments	0.0	397.6	0.0	0.0
Fixed Assets	13,248.8	9,411.5	9,552.6	9,553.8
Tangibles	0.7	0.8	0.5	0.4
Intangibles	0.0	0.0	0.0	0.0
Financial assets	13,248.1	9,410.7	9,552.1	9,553.4
Prepaid expenses	0.0	1.0	0.1	0.1
Total Assets	14,461.5	10,952.1	12,219.5	12,431.8
Current Liabilities	4.9	9.2	7.4	9.2
Long-term liabilities	0.0	0.0	0.0	0.0
Total Liabilities	4.9	9.2	7.4	9.2
Equity	14,456.6	10,926.9	12,197.0	12,407.5
Common stock	14,240.5	14,240.5	14,240.5	14,240.5
Unpaid	615.9	561.3	497.4	482.9
Paid-in	13,624.6	13,679.3	13,743.1	13,757.6
Reserves	38.2	(3,832)	(3,242)	(3,242)
Results carried forward	(133)	74.1	505.0	1,198.6
Current results	313.1	467.7	730.1	210.5
Profit distribution	2.2	23.4	36.5	0.0
Accrued revenues, provisions	0.0	16.1	15.1	15.1
Total Liabilities & Equity	14,460.5	10,952.1	12,219.5	12,431.8

Source: Fondul Proprietatea

Income Statement (RAS, RON mn)	2007	2008	2009	2009 budget
Operating revenues	411	524	1,320	270
dividend income	203	385	118	113
sale of financial assets	-	-	980	1
services	-	-	-	-
provisions, reactivated receivables	130	11	32	-
fx differences	47	43	48	19
interest	31	84	142	137
others	0	0	0	-
Operating expenses	92	43	486	39
sale of financial assets	11	-	429	1
fx differences	29	24	33	14
depreciation, provisions, loss of receiva	47	3	1	0
personnel	2	7	14	8
outside services	2	9	9	12
taxes and duties	0	0	1	3
Operating profit	318	481	834	231
Profit before Tax	318	481	834	231
Income Tax	5	13	104	19
Profit after Tax	313	468	730	212

Source: Fondul Proprietatea

Disclosure Appendix

This document is issued by the following company (hereinafter referred to as the "Company"):

NBG SECURITIES Romania SA, 145 Calea Victoriei Str Victoria Center, 7th floor, 8th level, 1st District, Romania
Regulatory Authority: Romanian National Securities Commission (C.N.V.M.); CNVM Authorization No. 2234 / 07.22.2003

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Company Name	Reuters	Disclosure
Fondul Proprietatea	n.a.	None

Source: NBG SECURITIES Romania

1. The Company and/or their affiliate(s) have acted as manager/co-manager/adviser in the underwriting or placement of securities of this company within the past 12 months.
2. The Company and/or their affiliate(s) have received compensation for investment banking services from this company during the past 12 months.
3. The Company and/or their affiliate(s) make a market in the securities of this company.
4. The Company and/or their affiliate(s) own five percent or more of the total share capital of this company.
5. The Company and/or their affiliate(s) own five percent or more of the total share capital of NBG SECURITIES ROMANIA SA and its affiliates.
6. The Company and/or their affiliate(s) have sent the research report to the company prior to publication for factual verification.
7. Following 6, the Company and/or their affiliate(s) have changed the contents of the initially sent research report, with respect to: no change.
8. The Company and/or their affiliate(s) have received compensation from the company for the preparation of this research report.
9. The Company and/or their affiliate(s) have acted as a broker in stock options plans, share buybacks and/or own shares sales of securities of this company within the past 12 months.
10. The Company and/or their affiliate(s) have acted as an arranger and/or credit facilitator and/or advisor in the issuance of convertible bonds and/or in the provision of credit facility.

Risks and sensitivity:

The views and recommendations for the companies mentioned in this daily report have various levels of risk depending on company, industry and market events. In addition, our target prices and estimates for the companies mentioned in this daily report are sensitive to various factors including interest rates, inflation, the local economic environment, market volatility, management continuity or other company specific events.

Ratings Distribution Romania

	Outperform	Neutral	Underperform
Romanian Equity Research Coverage (11)	27%	55%	18%

Source: NBG SECURITIES Romania

Definition of Investment Ratings

Outperform, Neutral, Underperform: Denote notional investment ratings (not recommendations) pegged to the performance of the General Index, which imply a positive, neutral and negative view respectively.

Outperform: The stock is expected to perform above the General Index

Neutral: The stock is expected to perform in line with the General Index

Underperform: The stock is expected to perform below the General Index

Further information on the securities referred to herein may be obtained upon request from:

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All prices and valuation multiples are based on the closing of January 10, 2011, unless stated otherwise.