Fondul Proprietatea

Buy
Unchanged

OTC Price: RON 0.57-0.6
NAV: RON 1.06 – 1.13

Ready…set…GO

The Romanian Restitution Fund is finally confirming all the high expectations and is imminently heading towards listing and proper management.

On Monday's EGM all the major issues regarding the Fund were solved:

- ✓ **The new bylaws** were approved.
- ✓ **Franklin Templeton** has been finally appointed as Fund manager.
- ✓ **The listing** in the form of floating on the Bucharest Stock exchange was voted and will take place at the beginning of 2011.
- ✓ **The Fund will pay a hefty dividend** (equivalent to a 14% dividend yield) and will be able to carry out a buyback.

We have updated our valuation model and have derived a NAV per share estimate in the range of **RON 1.06-1.13 per share**, which means that the OTC price still offers an attractive 45% upside.

We expect this to keep decreasing in the coming months as the Fund steps closer to a listing on the local market and the current passive management should see a total turnaround under the Templeton administration.

Short term, we would focus on the potential exits from the already-privatized distributors. Should the Fund be exiting at the same per customer multiples as they did from their CEZ participation in 3Q09, the upside on the NAV could be as much as RON 0.038 per share, while the RON 1.64 bil difference to the book value should go in the P&L and could translate into another hefty dividend.

In the long term, we believe that the Fund should serve a new chapter for the local equity market, as: i. it will most probably be seen as a proxy; ii. it should play a major role in privatisations, and iii. it will be a further step towards a full MSCI inclusion.

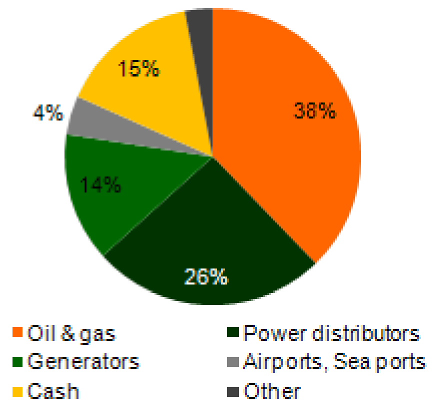
Expected Events

Mid September 2010 – Templeton actively begins management
27 September 2010 – record date for 08-09 dividends (14% yield)
January 2011 – Listing on Bucharest Stock Exchange
August 2011- State's stake going below 33%

Key Data

Market Cap	RON 8,266 mil
	EUR 1,932 mil
Free Float	51 %
	EUR 985 mil
Shares Outstanding	13,778 mil
Maj. Shareholders	State (49%)
	Malaxa and Auschnit families (est. 8%)
	Cartesian Capital (2.85%)
	Wood & Company - Fondul Proprietatea Warrant (2.7%)
Bloomberg Code	3406924 Z RO Equity
ISIN	ROFPTAACNOR5
Fondul Proprietatea Warrant	WOOD001 AV Equity
ISIN	CZ0170000009
Manager of the Fund:	Franklin Templeton
BET Index	5,143.72
EURRON	4.27

Portfolio by sectors - Fair value



Fondul Proprietatea valuation	Nominal Value RON mil	Nominal Value EUR mil	Nominal Value RON per share	Nominal Value Weight	NAV RON mil	NAV EUR mil	NAV RON per share	NAV Weight	NAV (valued on EV/EBITDA only) RON mil	NAV (valued on EV/EBITDA only) EUR mil	NAV (valued on EV/EBITDA only) RON per share	NAV (valued on EV/EBITDA only) Weight
Unlisted portfolio	7,144	1,670	0.52	45.0%	7,673	1,794	0.56	52.8%	8,665	2,026	0.63	55.8%
Listed portfolio	6,504	1,521	0.47	41.0%	4,644	1,086	0.34	31.9%	4,644	1,086	0.34	29.9%
Cash	2,223	520	0.16	14.0%	2,223	520	0.16	15.3%	2,223	520	0.16	14.3%
Total	**15,871**	**3,711**	**1.15**		**14,540**	**3,400**	**1.06**		**15,532**	**3,632**	**1.13**	

EQUITY RESEARCH

Analysts: Ovidiu Fer, Jan Tomanik
E-mail: ovidiu.fer@wood.cz, jan.tomanik@wood.cz
Prague: +420 222 096 270
Website: www.wood.cz

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Closing Prices as of September 3, 2010

WOOD & Company Financial Services a.s.
Palladium, Namesti Republiky 1079/1a,
110 00 Prague 1 – Czech Republic

tel.: +420 222 096 111
fax: +420 222 096 222
http//: www.wood.cz

Investment Case

Monday's EGM represents the most important event in the recent history of the Romanian Restitution Fund (referred to as RRF, Fondul Proprietatea or the Fund). After a year of uncertainty and debates, the vital issues have been clarified:

- ✓ **The Fund's bylaws** were amended so that: i. the shareholders' equity was reduced from RON 14.2 bil to RON 13.77 bil (as the state's unpaid equity was cancelled); ii. from now on any change in the Fund's bylaws will be modified at the general shareholders' meeting, as opposed to going via government approval; iii. the listing of the Fund no longer requires an IPO, but instead a simple flotation is possible.
- ✓ **Franklin Templeton** Investment Management is the official Fund manager for the next 4 years. The mandate will start after the EGM resolutions are published in the Official Gazette (maximum 10 days-2 weeks);
- ✓ **The Fund will pay out a RON 0.0816 per share dividend** from the 2008 and 2009 profits (the equivalent of a 14% yield at the current OTC levels). The record date is September 27th.
- ✓ **Listing via simple flotation** is now possible (as opposed to the previous compulsory IPO) and the Fund is expected to start trading on the Bucharest Stock Exchange in January-February 2011.
- ✓ **The EGM approved a 10% buyback** by March 2012.

Going forward

With all the high expectations confirmed and the government showing clear and consistent support, the focus will now be on trying to bring the Fund to the market as fast as possible and Templeton starting to actively manage the portfolio. Although no detailed guidance has yet been provided, we have tried in this note to assess the potential first steps which the new management will be able to take:

- ✓ Constraints embedded in the bylaws
- ✓ Capitalising on the energy distributors' options
- ✓ IPO/SPO pipeline
- ✓ Usage of the hefty cash pile
- ✓ Potential risk/opportunity stemming from a Petrom capital increase

Overall, we strongly believe the Fund can serve as both a proxy and a real turnaround story for Romania's capital market in general and therefore we have presented the potential boost effect on the Bucharest Stock Exchange and the potential for bringing Romania closer to full MSCI inclusion (together with the upcoming IPOs and SPOs planned by the local government).

Valuation

We have fine-tuned the valuation of the Romanian Restitution Fund, adjusting for the 2009 numbers of the unlisted portfolio, marking-to-market the listed portfolio and updating the cash position. We now estimate the NAV to be in the range of EUR 3.4-3.6 bil, corresponding to RON 1.06-1.13 per share. The range borders were determined in line with two value estimates for the unlisted portfolio differentiated by applied valuation multiples.

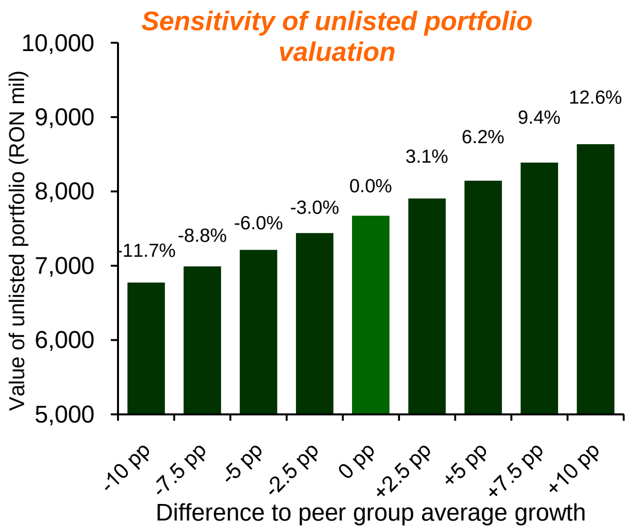
In comparison, KPMG has finally derived an official valuation of the Fund of **RON 1.0283 per share** as of June 30. This is calculated on the basis of CNVM

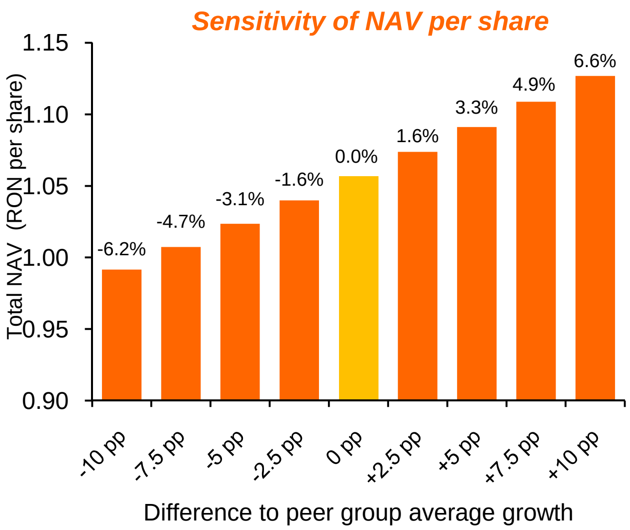
Regulation 4/2010, which uses the most recent book value numbers for the unlisted portfolio and the average 90-days trading for the listed one.

Our basic valuation of stakes in **unlisted companies** is based on a mix of sector average EV/EBITDA, P/E and industry-specific ratios (EV/Sales and EV/Customer for infrastructure assets and power distributors). Our secondary valuation method is based purely on EV/EBITDA as the most relevant multiple for the energy-related companies that dominate the unlisted portfolio.

As all the Fund's major unlisted holdings are likely to show quite a different growth rate than their respective peer group, we run a sensitivity exercise showing the impact of different growth rates of the Fund's holdings versus the peer groups:

Sensitivity towards 2010 and 2011 earnings growth for companies in unlisted portfolio





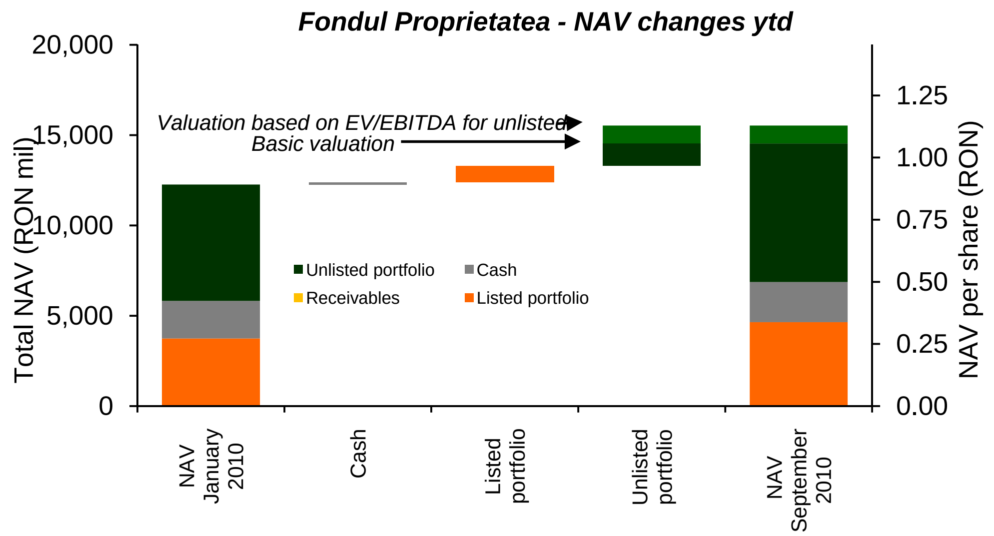
Difference to sector average growth	**-10 pp**	**-7.5 pp**	**-5 pp**	**-2.5 pp**	**0 pp**	**+2.5 pp**	**+5 pp**	**+7.5 pp**	**+10 pp**
Value of unlisted portfolio (RON mil)	6,774	6,992	7,214	7,440	7,670	7,905	8,144	8,388	8,636
Relative difference	*-11.7%*	*-8.8%*	*-6.0%*	*-3.0%*	*0.0%*	*3.1%*	*6.2%*	*9.4%*	*12.6%*
Total NAV (RON per share)	**0.99**	**1.01**	**1.02**	**1.04**	**1.06**	**1.07**	**1.09**	**1.11**	**1.13**
Relative difference	*-6.2%*	*-4.7%*	*-3.1%*	*-1.6%*	*0.0%*	*1.6%*	*3.3%*	*4.9%*	*6.6%*

Source: Fondul Proprietatea, Bloomberg, Companies, Wood & Company

As our table above shows, using our base case scenario valuation, a 10 pp lower growth rate then the peer group average would reduce our NAV per share to RON 0.99; similarly, a 10 pp outperformance would boost the NAV per share to RON 1.13.

Since the beginning of the year, the NAV has increased by some 18.6% or RON 2,278 mil, of which as much as 30% came from the listed part of the portfolio and more than half from the unlisted (using the basic valuation):

Portfolio performance ytd?

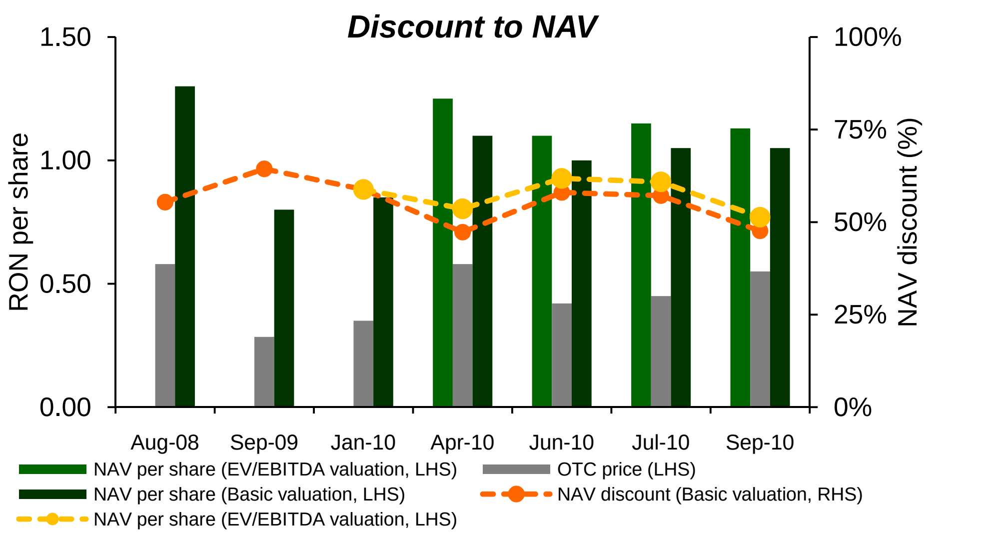


Source: Fondul Proprietatea, Bloomberg, Companies, Wood & Company

As one of the biggest players on the local OTC market, we have seen that the momentum has been clearly on the upside over the past few months and the positive expectations around the EGM outcome have pushed the price towards RON 0.6 per share.

The 45% discount, however, is still very appealing from our perspective, especially as the Fund is clearly moving from story to fact and all the positive expectations are gradually being fulfilled.

Price and NAV discount development



Source: Fondul Proprietatea, Bloomberg, Companies, Wood & Company

For us the Fund remains a great investment opportunity, with the main short-term trigger being the listing, while in the long term, the active management should be focused on unlocking the hidden value and increasing the NAV.

Macro

External vulnerability risks are still on a higher level. The relationship with the EU came under increasing strain in July as a result of Romania's failure to implement the required reforms of the judicial system, but this seems to have been solved now after Romanian lawmakers voted to restore an agency with the power to verify public officials' asset declarations to fight corruption. The credit default swaps are still above 300bps and the recent planned replacement of FM Vladescu would probably not help to restore confidence among investors. The implementation of important structural reforms, for example the increase in VAT from 19% to 24% and the reduction in public wages by 25%, is causing a lot of political opposition and creating the danger of another no-confidence vote for the government. The EIU recently reduced its 2010 GDP forecast to -1.2% from -0.6%, considering the impact of the cuts on domestic consumption and the damage caused by the extensive flooding. There is currently a wide spread of opinions about next year's GDP growth as a result of political and economic uncertainties. Our Macro view is detailed in Appendix 3.

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EGM resolutions and the aftermath

Monday's EGM represents the most important event in the recent history of the Fund. After a year of uncertainty and debates, the vital issues have been clarified:

New bylaws approved

Following the Parliamentary vote at the end of June, the laws governing the Fund have been amended as follows:

- ✓ From now on any change in the Fund's bylaws will be modified at the general shareholders' meeting, as opposed to going via government approval.
- ✓ The fund's major shareholder, Romania's Ministry of Finance, is no longer obliged to carry out an IPO but will instead have the option to do so, in line with the Capital Markets Law and NSC regulations. This basically allows the Fund to carry out a formal offering (i.e. a technical listing).
- ✓ Shareholders' equity was reduced from RON 14.24 bil to RON 13.77 bil through the cancellation of the state's unpaid shares (462 mil shares). This is the result of the negative difference between the first valuation of the fund's assets and the amount of shareholders' equity contributed when the fund was created. The cancellation of these shares also makes possible the distribution of dividends from 2008 and 2009 profits.

Franklin Templeton is officially the Fund manager

After more than a year since it won the tender, Franklin Templeton Investment Management is finally the official Fund manager.

The contract is for the next 4 years and can be prolonged thereafter. Templeton will receive 47 bp of the official NAV until the Fund's listing and the same percentage of the market capitalisation after the actual floating.

Templeton has already selected and trained a local analyst team, while the position of Fund Manager will be held by Grzegorz Konieczny - a reputable and long-experienced fund manager within the EME region.

Listing

The Fund's listing has always been stated as a top priority by the state, the Fund and Templeton's representatives. Although initially the plan was to IPO a portion of the state's holding on the Bucharest Stock Exchange (BSE) and an international market, given the current large free-float (some 50%) and strong lobbying from minority shareholders for a fast listing, the shares will just be floated on the Bucharest Stock Exchange.

As the law has been adapted to address the choice of listing method, an IPO listing is no longer compulsory. Instead, a technical flotation is expected at the beginning of 2011 and an intermediary consortium has already been selected. According to the contract, Templeton is obliged to list the Fund within 90 days after taking over the mandate.

Dividend distribution

As the new bylaws have been approved and the issue of the unsubscribed equity has been solved, the Fund is finally able to pay the dividend for 2008 and 2009. The total gross value approved is RON 0.0816 per share implying some 14% dividend yield to the current OTC prices.

The record date is September 27th, while the actual cash payout will start on October 11th and the first comments from the management, indicated they should be fully paid out by the year end.

Buy back

The EGM also approved the share buy back of some 1.37 bil shares (or about 10% of the fund) at a price of RON 0.2-RON 1.5 per. The buy back can be carried out until March 2012 and any purchases will be booked under Treasury shares on the balance sheet. We believe that this could be an effective tool for the Fund to sterilize some of the potential overhang in the first days of trading.

What next?

Actively managing the Fund

With all the noise now behind us, the focus will now to switch to the new management's capacity to unlock and increase the NAV.

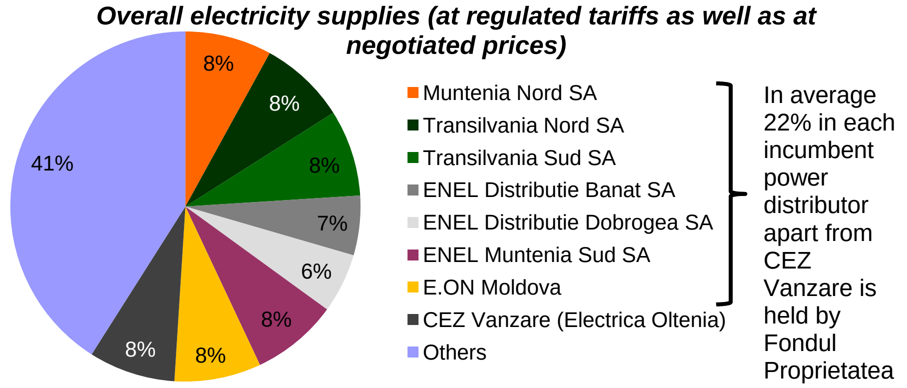
According to its bylaws, approved on Monday, the Fund must adhere to the investment limitations that apply to all mutual investment funds: 1) the Fund cannot have more 20% of its assets in cash, although the weighting can temporarily (for 90 days) rise to 50% when the extra cash comes from divestments or matured investments; 2) the Fund's deposits with a certain bank cannot exceed 10% of its assets; 3) the exposure to traded derivative financial instruments should not exceed 15% of net assets, and the exposure to non-traded derivative instruments should not be higher than 10%; 4) at least 20% of the Fund's assets should be listed securities; 5) the Fund cannot keep more than 20% of its assets in securities and monetary instruments in non-listed assets, unless they are issued by the Ministry; and 6) all the investments in securities should have a rating of at least "investment grade".

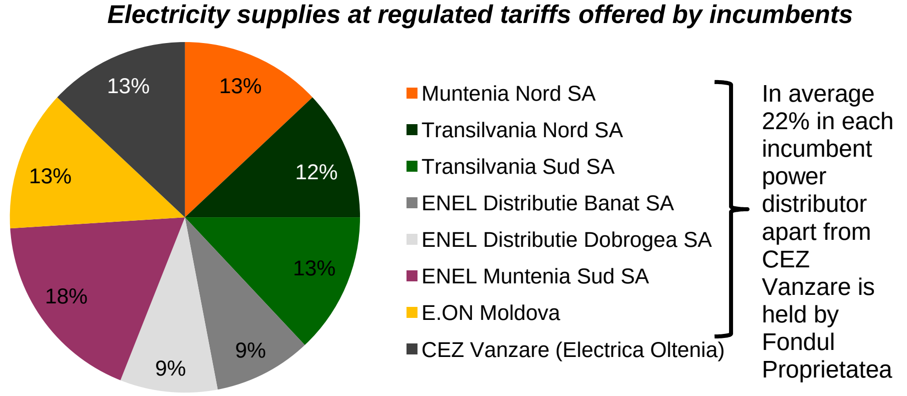
An analyst meeting for detailing the investment policy is not yet on the horizon; But after talking to the Fund's representatives, we set out our views on the potential future steps in actively managing the Fund.

Divesting

Recently, the head of E.on Romania commented that negotiations with the government on the takeover of minority stakes in the distribution company E.on Moldova were pending. No difficulties are expected with striking a deal and the Finance Minister confirmed that a time frame of a few months is achievable.

Romanian incumbent power distributors – market shares





Source: ANRE, Business Monitor International – Romania Power Report, Wood & Company

E.on controls the company with an outright 51% majority and the remainder is divided between the government (27% stake) and Fondul Proprietatea (22%). We assume that if the government and E.on agreed on a transaction, the stake of the Fund might subsequently be taken over by E.on as well, as was the case with the former Oltenia unit back in 2H09, which is now entirely owned by CEZ.

E.on Moldova services 1.3 mil customers. If we apply the price per customer paid by CEZ last year for a minority stake in the former Oltenia unit (EUR 560 per customer), the value of Fund's stake would reach EUR 159.4 mil. It well exceeds both our base case valuation embedded in our NAV estimates (based on a mix of financial and per customer multiples) of EUR 68 mil and the value of EUR 36 mil in the Fund's books. A potential exit could thus generate a positive one-off gain, boosting 2010 earnings and the base for dividend distribution with a legally-binding minimum 90% pay-out (according to the new limits planned by the government). The government representative hinted that the negotiations with Enel on the same issue are also in an advanced stage. The potential consolidation of ownership across the distributors controlled by Enel would have an even greater impact on the Restitution Fund as the Italian utility holds a majority stake in three companies with a combined customer base of 2.5 mil. Valued at the price which CEZ paid for minorities, the Fund's stakes in these distributors would be worth EUR 350.5 mil (vs. a book value of EUR 91 mil and our base case valuation of EUR 318 mil applied in the Fund's NAV calculation).

Back in 2009, when Enel entered one of these three companies (Muntenia Sud), it paid a record high amount per one customer, EUR 1,200.

Assuming that Restitution Fund successfully sells its stakes in those four power distribution companies at same per customer multiple which CEZ paid, it could bring an inflow of around EUR 510 mil (equivalent of RON 0.158 per share). It would actually double the already sizeable Fund's cash position (currently EUR 520 mil). Potential upside to our base case valuation equals EUR 123 mil (corresponding to RON 0.08 per share or an increment of 7.5%).

Potential privatisation of power distributors

Company	Valuation		Value of Fund's stake			Customers (est.)	Market	Shareholder structure			
	base case, EUR mil**	price per customer, EUR mil*	base case, EUR mil**	price per customer, EUR mil*	Book value EUR mil	mil	%	State	Restitution Fund	Other	
Power distributors											
Muntenia Nord	287.2	652.0	63.2	143.4	40.5	1.1	8.0%	78.0%	22.0%		0.0%
Transilvania Nord	257.3	582.6	56.6	128.2	27.9	1.0	8.0%	78.0%	22.0%		0.0%
Transilvania Sud	286.3	636.2	63.0	140.0	31.2	1.1	8.0%	78.0%	22.0%		0.0%
ENEL Dist. Banat	508.6	485.6	122.7	117.2	36.8	0.7	5.5%	24.9%	24.1%	ENEL	51.0%
ENEL Dist. Dobrogea	350.8	445.4	84.5	107.3	29.8	0.7	5.5%	24.9%	24.1%	ENEL	51.0%
ENEL Muntenia Sud	928.1	1,049.7	111.4	126.0	23.9	1.1	8.0%	11.6%	12.0%	ENEL	64.4%
E.ON Moldova	310.4	724.5	68.3	159.4	35.6	1.3	8.0%	27.0%	22.0%	E.ON	51.0%
CEZ Distributie	766.7	766.7	0.0	0.0	0.0	1.4	8.0%	0%	0%	CEZ	100.0%
Total	**3,695.4**	**5,342.6**	**569.7**	**921.4**	**225.7**	**8.5**					

*alternative valuation for power distributors EUR 560 per customer paid by CEZ in 4Q09
**base case valuation based on 50% peer group EV/EBITDA, 20% peer group P/E, 30% average price per customer
Source: ANRE, Companies, Wood & Co

IPOs/SPOs

The potential privatisations and/or reorganisation of the Romanian energy sector could serve as a major catalyst for the fund.
Our impression is that although the State is in real need of cash, at present its focus is on cost-cutting measures rather than increasing revenues (specifically via IPOs or SPOs).

Potential privatisation of other energy companies

Company	Valuation*		Installed capacity	Market share	Shareholder structure			
	base case, EUR mil	EV/EBITDA only, EUR mil*	(MW)	%	State	Restitution Fund	Other	Free float for already listed
Power generators								
Hidroelectrica	1,101.8	1,896.5	1,400	6.9%	80.0%	20.00%		0.0%
Nuclearelectrica	810.0	1,610.4	6,374	31.5%	80.0%	20.00%		0.0%
CE Craiova****	62.7	302.7			74.5%	25.54%		0.0%
CE Rovinari	62.8	498.7	3,046	15.1%	76.3%	23.73%		0.0%
CE Turceni	265.6	414.7			75.1%	24.93%		0.0%
Total	**2,302.8**	**4,723.1**	**10,820.0**					
Oil & gas								
Petrom	4,371				20.6%	20.1%	OMV 51.0%	8.2%
Romgaz	2,029				85.0%	15.0%		0.0%
Utilities								
Transelectrica	307				76.5%	13.5%		10.0%
Transgaz	664				75.0%	15.0%		10.0%

*alternative valuation for power producers based only on peer group average EV/EBITDA (higher because of below average net profit mar
**base case valuation based on 70% peer group EV/EBITDA and 30% peer group P/E
***CE ... Complexul Energetic
Source: Wood&Company estimates, company data

According to government statements, the sale of additional stakes in already publicly traded companies Petrom (11.8%), Transelectrica, and Transgaz (10% of each) or a Romgaz IPO are the most likely options if the government re-initiates the privatisation process. We estimate that as much as EUR 670 mil could be gathered through such sell-offs.

The energy distributors have already been partially privatised. Five of the eight incumbents are controlled by ENEL, E.ON, and CEZ. The former Oltenia unit is fully owned by CEZ, which exercised its call option embedded in the privatisation contract in 4Q09.

Muntenia Nord, Transilvania Nord, and Transilvania Sud are still controlled by the state. Their safe, regulated business profile but lower growth prospects (for the most part thanks only to increased demand for power) make these distributors more attractive to sector investors rather than to equity markets.

Should the government decide to continue with the privatisation of power distributors, the sale of majority stakes in the three remaining state-controlled companies to strategic sector investors such as Western European utilities would, in our view, be more likely than flotation on the market.

Hefty cash position.

The RRF will have about EUR 260 mil in cash (when adjusted for the dividend to be paid), which is currently fully locked in bank deposits. This is compared to the EUR 100 mil in cash which the SIFs hold altogether (as of the end of July).
The usage of this cash is still unclear but it is expected that the bulk will be invested into the equity market (the Fund is not constrained to invest in Romania only, but given the social nature of the Fund and the still-strong state influence, the Fund guided us to think that most of it will stay within Romania).

Petrom capital increase

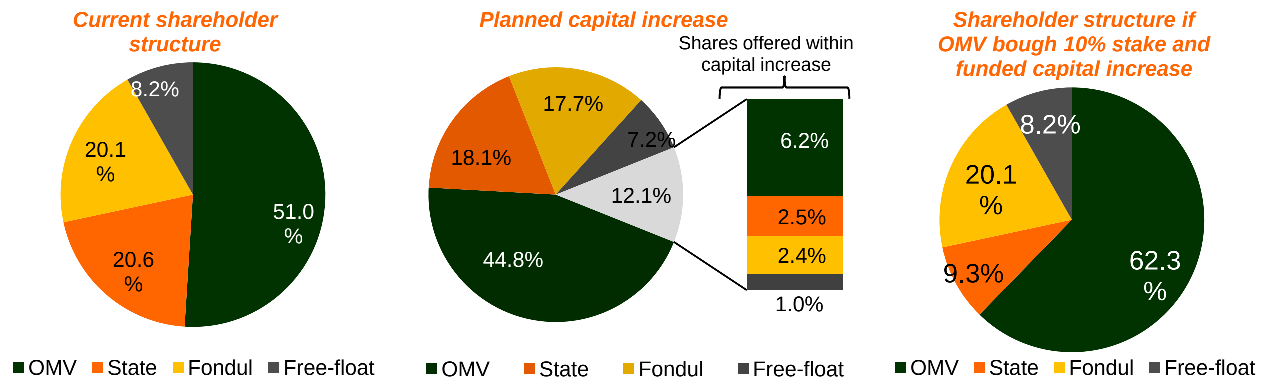
At its April AGM, the shareholders of Petrom empowered the Board of the company to increase capital by as much as EUR 600 mil from current level of RON 18.98 bil (EUR 4.43 bil) during the period of one year. The amount corresponds to 12.1% of the current market cap. The company intends to use the funds to cover its CAPEX plan consisting mainly of refurbishment of the Petrobrazi refinery (worth EUR 750 mil) and construction of the Brazi gas-fired power plant. If the volume is fully utilized, OMV will likely have to contribute with EUR 306 mil in order to preserve its 51% outright majority.

Although no commentary on the issue was provided by Templeton at the EGM, we believe that the Fund could consider subscribing shares if an advantageous discount to the market price is offered. The Fund's 20.1% stake in Petrom implies maximum contribution to the capital increase of EUR 121 mil. The Fund could easily afford such investment as only around EUR 262 mil out of its total current EUR 520 mil cash position will be distributed to shareholders as a dividend.

The question remains as to whether the government would be willing to contribute to a share capital increase and found enough cash in tight state budget to protect its 20.6% stake against dilution. We believe that potential state contribution is relatively less likely, particularly if we take into account its earlier statements concerning selling 10% stake or half of its current holding on Bucharest stock exchange via the SPO.

OMV mentioned that a higher subscription in the capital increase might be considered, if State or the Fund didn't use their subscription rights. However no decision was taken yet. OMV perceives Petrom as an integral part of the whole and it could potentially decide on increasing its stake in the company. Thanks to its low indebtedness (net debt-to-EBITDA of only 1.0x), OMV would definitely have big enough financial headroom to acquire all unsubscribed shares within its capital increase and potentially also take over the 10% stake offered by the state. Assuming that OMV subscribes EUR 306 mil within the capital increase, its net debt-to-EBITDA would increase only marginally to 1.10x. If OMV bought the 10% stake potentially offered by state and proportionally contributed to the share capital increase instead of the state as well, the EUR 864 mil investment would increase its net debt-to-EBITDA still only cosmetically to the 1.25x level. After the transactions, its stake in the company would increase to 63%.

Petrom share capital increase



Source: Fondul Proprietatea, Bloomberg, Companies, Wood & Company

Listing aftermath

With the listing shaping up for 1Q11 and being the most important event on the local market for the next year, we are trying to assess the potential impact and scenarios post-listing. The main things we will be watching for are:

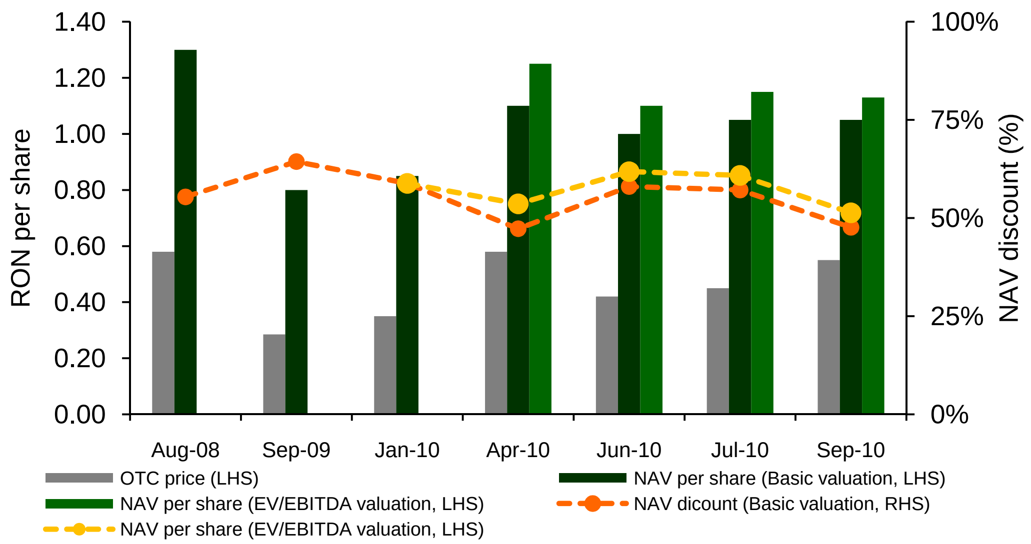
- ✓ The effect on the Bucharest Stock Exchange (BSE) and the potential for bringing Romania close to full MSCI inclusion.
- ✓ The listing of the Fund in London
- ✓ The shareholders' structure and restitution process going forward

The listing on the BSE

Floating the Fund on the local market is the single most expected event for the Romanian capital market in 2010. We believe that the impact on the market can be beneficial as:

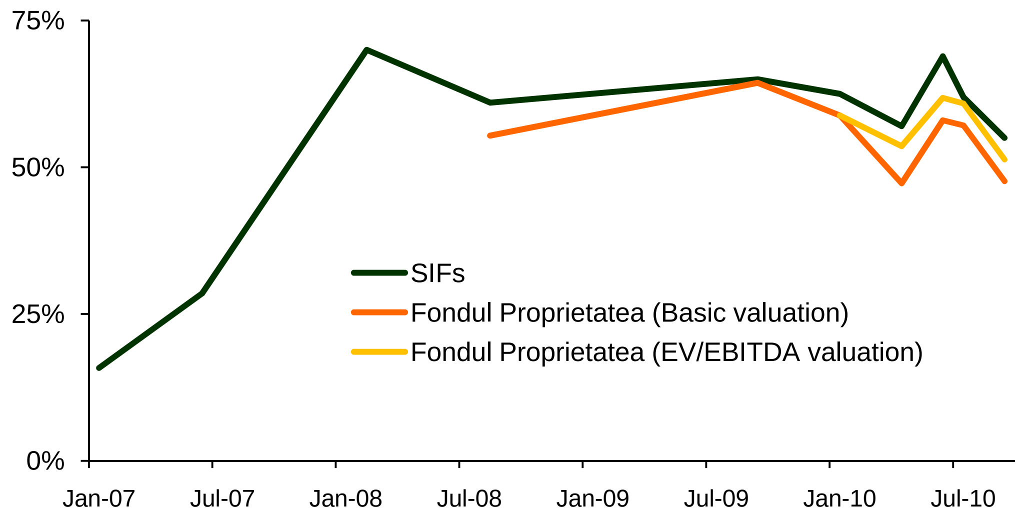
- ✓ The current liquidity on the OTC market (approximately EUR 0.5 mil per day) should increase once the Fund is traded on a regulated market and we believe the Fund will be the most liquid name on the local market (currently SIF5 is the most traded security with an average daily turnover of EUR 1 mil). Although instruments such as the Wood & Company warrant were created and listed, many institutional investors (including the local pension funds) had were restricted so far in taking positions in the Fund. Therefore any potential overhang (coming from the restitution process continuation) should be sterilized by the market or by a buy back.
- ✓ As portfolio diversification and active management by Templeton should kick in soon, the Fund would likely switch some of its exposure to Utilities and Energy into positions in Financials. Therefore the Fund could serve as a proxy for the whole Romanian market.
- ✓ Actively management the Fund could serve as a benchmark for the rest of the listed closed end funds- the SIFs which have always been priced a significant discount due to their passive approach to management and restructuring.
- ✓ As a closed-ended fund (not to mention heavily- exposed to state owned companies) the Fund will most likely stay trading at a discount through time. Although the listing alone should serve as a factor to significantly reduce the level. Looking at the SIFs, the discount range has fluctuated historically in a 15-70% interval.

Price and NAV discount development



Source: Fondul Proprietatea, Bloomberg, Companies, Wood & Company

NAV discount compared to SIFs



Source: Fondul Proprietatea, Bloomberg, Companies, Wood & Company

Going forward, we believe that the discount gap between the RRF and the SIFs will continue to widen in the favor of the former, as applying a discount for the type of management should not be applied in the case of the Fund.

MSCI inclusion

Under the MSCI criteria, Romania has Frontier Market status currently but we believe that the Fund's listing is one of the first steps in the quest to upgrade to the Emerging Market status.

A summary of the criteria for the Frontier, Emerging, and Developed categories for MSCI is provided below:

Criteria		Frontier	Emerging	Developed
A	Economic Development			
A.1	Sustainability of economic development	No requirement	No requirement	Country GNI per capita 25% above the World Bank high income threshold* for 3 consecutive years
B	Size and Liquidity Requirements			
B.1	Number of companies meeting the following Standard Index criteria	2	3	5
	Company size (full market cap) **	USD 396 mm	USD 792 mm	USD 1583 mm
	Security size (float market cap) **	USD 25 mm	USD 396 mm	USD 792 mm
	Security liquidity	2.5% ATVR	15% ATVR	20% ATVR
C	Market Accessibility Criteria			
C.1	Openness to foreign ownership	At least some	Significant	Very high
C.2	Ease of capital inflows / outflows	At least partial	Significant	Very high
C.3	Efficiency of the operational framework	Modest	Good and tested	Very high
C.4	Stability of the institutional framework	Modest	Modest	Very high

* High income threshold for 2008: GNI per capita of USD 11,906 (World Bank, Atlas method)
** Minimum in use for the May 2009 Semi-Annual Index Reviews, updated on a semi-annual basis

Officially, MSCI conducts an annual review of each country to determine if a revision of their categorisation should occur. Actual changes can be made quarterly, however, so that a country on the right track but just falling short on one criterion does not need to wait a full year to change status.

The real change should come through new listings and most of the companies which are on the priority list are included in the Fund's holdings: Nuclearelctrica, Hidroelectrica, Romgaz, Bucharest airport.

SPOs are more likely in the near term (with Transelectrica, Transgaz and Petrom stakes already at advanced stages of preparation). This is a faster way for the State to raise much-needed cash. Although the sale of these smaller stakes would not be sufficient to bring Romania into full adherence with category B.1 'Security liquidity' criteria (they still would lack a third qualifying company), in general it would help bolster the broader market liquidity as well as C.2 : 'Ease of Capital Inflows/ Outflows', which we interpret to refer to market liquidity as well as the existence of outright capital controls.

The entry of a new company on the Bucharest Stock Exchange that meets the three criteria in the 'B' box above would take Romania significantly closer to qualifying as an Emerging Market. It could in fact be sufficient, assuming that the C box criteria have now been met or are near to being met. The privatizations in the energy sector could provide the needed support but realistically we do not see these large energy names IPOs happening until 2Q-3Q next year at the earliest.

The RRF, however, could be a much needed boost and is the closest to coming on the market. We believe the Fund could bring as much as a 30-50% increase in daily trading volumes:

Liquidity of the Romanian equity market

Romanian equity market liquidity	Market cap		Free float		6M Average daily liquidity (EUR)
	RON mil	EUR mil	%	EUR mil	
Fondul proprietatea	**7,979**	**1,866**	**46%**	**858**	**10 mil shares (~EUR 1.0 mil) a week**
SNP Petrom	18,693	4,371	8%	360	282,000
BRD	8,014	1,874	42%	781	568,000
Transelectrica	1,312	307	10%	31	80,000
Transgaz	2,841	664	10%	66	147,000
Transilvania	1,510	353	85%	302	340,000
SIFs					
SIF 1	593	139	100%	139	311,000
SIF 2	555	130	100%	130	631,000
SIF 3	606	142	100%	142	327,000
SIF 4	503	118	100%	118	186,000
SIF 5	801	187	100%	187	1,394,000
SIFs Total	**3,057**	**715**			**2,849,000**

Source: BSE, Wood&Company estimates

Moreover, with Templeton on the Board of all these unlisted companies, the pressure on the governmet to bring the "big names" to the market should rise significantly. Ultimately, what the market is expecting is a "snowball effect", with increased demand for listings and an active management policy which should serve as example for the local peers.

The London listing

A London listing has been stated as an objective ever since the Fund's inception and reconfirmed by Mr Mark Mobius, right after Templeton won the management mandate.

According to Romanian law however, a company is not allowed to issue new capital below nominal value i.e. as long as the share price of RRF is trading below 1.00 RON/share. This means that such a listing can be done either by the state offering some of its current stake (initially 10% targeted) or by an investment bank simply creating a GDR and sourcing the shares on the local market. This in our view should not happen before 2H11.

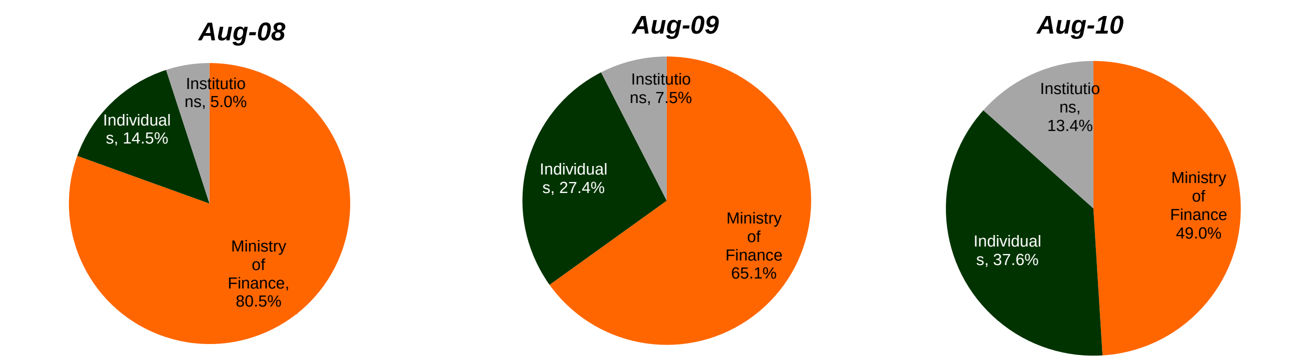
The London listing should most likely be done on the "Standard market section" as a GDR with following requirements:

- ✓ 25% shares in public hands
- ✓ Further share issues to be listed
- ✓ Application of DTRs
- ✓ Notification of changes in capital
- ✓ The issuer does not need a sponsor and has significantly reduced continuing obligations once listed
- ✓ 3 years reporting in IFRS
- ✓ FSA approval
- ✓ Initial prospectus: under the "passporting" regime introduced by the EU Prospectus Directive, the UK can accept a prospectus that has been approved by another EU member state.

The process should not take more than 3 months.

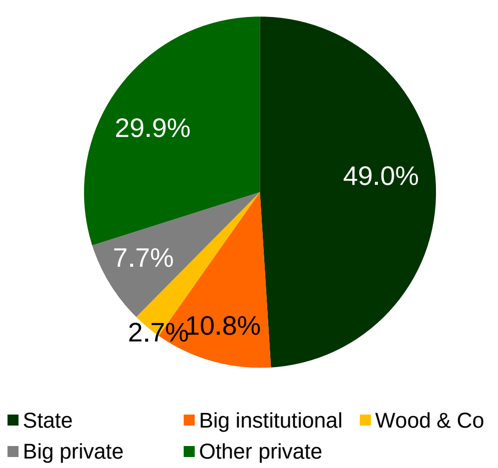
Shareholding structure and restitution process going forward

Shareholding structure



Source: Fondul Proprietatea, Wood & Company

Current shareholding structure



Fondul Proprietatea Shareholder structure	***Stake*** (%)	**Market cap** (EUR mil)	**NAV** (EUR mil)
State	***49.0%***	**945**	**1,665**
Institutional investors (with >1% stake, East Capital, Cartesian, Elliot Advisors, Wood & Company)	***13.4%***	**259**	**455**
Private holders	***37.6%***	**729**	**1,281**
3 biggest private holders	*7.7%*	148	261
Other private holders	*29.9%*	577	1,016
Total		**1,929**	**3,397**
Free float (Big private hodlers and Other private holders)	*37.6%*	725	1,277

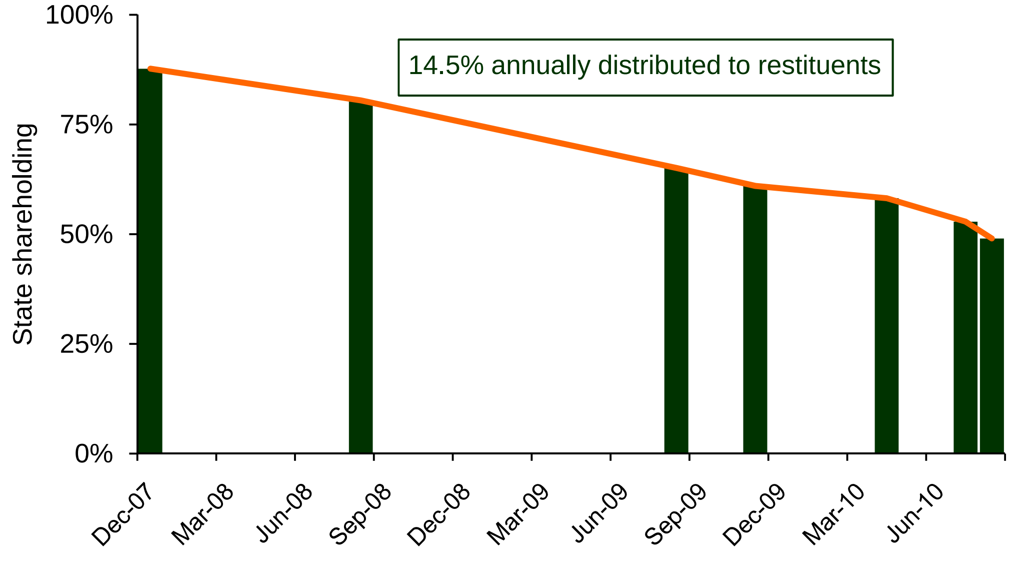
Source: Fondul Proprietatea, Wood & Company

As the graph above shows, the state's stake has been constantly diluted (it now owns 49% of the Fund). Given the current pace of the restitutions, the real breakthrough is expected in the coming 9-12 months, when the state's stake should drop below 33%. That is because in the current version of the law, only the Finance Ministry's holdings have full voting rights, while the voting rights of other shareholders are progressively reduced as follows: stakes under 1% have full voting rights, for the stakes from 1-3% the rights are reduced to half, from 3-5% to a third, and no voting rights are available to those shareholders exceeding 5% holdings. Shareholders will only be able to make their own decisions about changing this restrictions once the Romanian state's holding has dropped below 33%.

Going forward, we believe that the restitution process should see about a 15-20% dilution of the state holding per year. As there will be no claims settled in cash for the next two years (up until now the restitution claims under RON 0.5 mil were settled in cash, but because of budget constraints this has been halted until 2012), the pace could increase slightly, although these represented just about 1.5% per annum.

More importantly, after the listing, the price used for converting the restitution claims into RRF shares will no longer be RON 1 per share (as is the case now). Instead, the average of the 60-days trading price will be used. This means that a market price below RON 1 per share could trigger an accelerated dilution of the state and therefore a reduced political risk.

Pace of allocation of state holding to restituents



Source: Fondul Proprietatea, Wood & Company

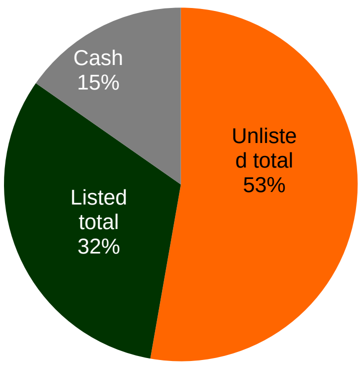
Valuation

We reran our valuation of the Restitution Fund, updating it with the actual reported 2009 results of the unlisted companies in the portfolio, using the current market prices of the listed holdings and adding a cash position of EUR 520 mil. We now estimate NAV in a range of EUR 3.4-3.6 bil or RON 1.06-1.13 per share (using the new total number of shares of 13,778 bil).

As in our previous valuations, the range borders were determined by two value estimates for the unlisted portfolio differentiated by applied valuation multiples. While our basic valuation is based on a mix of sector average EV/EBITDA, P/E and industry-specific ratios (EV/Sales and EV/Customer for infrastructure assets and power distributors), our secondary valuation method is based purely on EV/EBITDA as the most relevant multiple for the energy-related companies that dominate the unlisted portfolio.

Overall, the NAV structure is the same: some 53% stems from stakes in unlisted companies, 32% from holdings in Bucharest-traded stocks, while 15% is cash, with a roughly 50:50 split between RON and EUR deposits.

Fondul Proprietatea portfolio breakdown by listing – Fair value

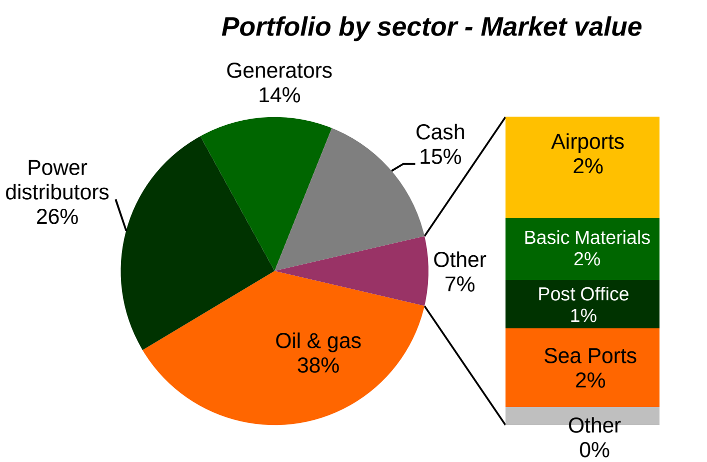


Fondul Proprietatea valuation	NAV RON mil	EUR mil	RON per share	Weight
Unlisted portfolio	7,673	1,794	*0.56*	52.8%
Listed portfolio	4,644	1,086	*0.34*	31.9%
Cash	2,223	520	*0.16*	15.3%
Total	**14,540**	**3,400**	***1.06***	

Source: Fondul Proprietatea, Bloomberg, Companies, Wood & Company

On our updated valuation, equity holdings account for some 85%, while the rest is pure cash. Among equity holdings, the energy industry is still the largest in the portfolio, with about a 40% weight (with distributors accounting for about a third of that and generators for the remainder). Oil & gas, largely represented by Petrom and Romgaz, follows with a 38% weight.

Fondul Proprietatea portfolio breakdown by sector – Fair value



Portfolio structure according to sector	RON mil	EUR mil	Weight
Oil & gas	5,494	1,285	37.8%
Power distributors	3,714	868	25.5%
Generators	2,050	479	14.1%
Airports	348	81	2.4%
Basic Materials	212	49.5	1.5%
Post Office	168	39.3	1.2%
Sea Ports	269	63.0	1.9%
Industrial	26.4	6.2	0.2%
Consumer, Cyclical	24.0	5.6	0.2%
Consumer, Non-cycli	1.0	0.2	0.0%
Communications	4.6	1.1	0.0%
Financial	3.5	0.8	0.0%
Other	2.4	0.6	0.0%
Total equity holdings	**12,317**	**2,880**	**84.7%**
Cash	2,223	520	15.3%
Total NAV	**14,540**	**3,400**	
NAV per share	*1.06*	*0.25*	

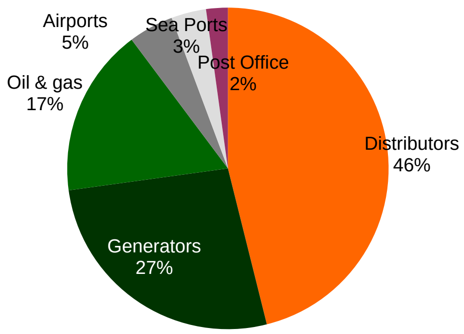
Source: Fondul Proprietatea, Bloomberg, Companies, Wood & Company

Unlisted portfolio

The unlisted portfolio still accounts for the biggest part of our adjusted NAV (53%). We have updated our valuation for these companies, using the 2009 reported numbers but, as in our previous notes, because of the associated problems with the valuation of a large number of unlisted companies, partly because of a lack of financial data, we used two different valuations on this slice of the portfolio.

Within the portfolio of unlisted companies, we are valuing 30 names with the expected highest contribution to the total value of the Fund. The remaining 26 companies, where we don't have a complete set of financial numbers and the value of which is relatively less important, are not included in our NAV estimate. However they could serve as potential upside which we didn't yet quantify.

Unlisted portfolio breakdown by sector – Fair value



Unlisted portfolio	Total equity value		Restitution Fund stake		
	RON mil	EUR mil	RON mil	EUR mil	Weight
Generators	9,847	2,303	2,050	479	14.1%
o/w dirty producers	8,175	1,911	1,635	382	11.2%
o/w clean producers	1,673	391	415	97	2.9%
Distributors	21,422	5,009	3,537	827	24.3%
Oil & gas	8,677	2,029	1,301	304	8.9%
Airports	1,738	406	348	81	2.4%
Sea Ports	839	196	269	63	1.9%
Post Office	1,077	252	168	39	1.2%
Total unlisted	43,601	10,195	**7,673**	**1,794**	**52.8%**
NAV per share (RON)			*0.56*		

Source: Fondul Proprietatea, Bloomberg, Companies, Wood & Company

Our model valuation is based on actual reported 2009 numbers, which we adjusted by the average growth rates derived from sector peer groups in order to approximate expected 2010 and 2011 profitability of the companies. Forward 2010 and 2011 peer group average multiples are applied on these profitability estimates and averaged down in order to come to the valuation.

The basic valuation combines EV/EBITDA, P/E and industry specific multiples, EV/Customer and EV/Sales where appropriate (power distributors and airports, seaports, respectively). The secondary valuation takes into account only EV/EBITDA multiples. We therefore estimate an impact on the NAV in a range of RON 0.56-0.63 per share.

(i) Under the **base case valuation**, a combination sector peer group average market multiples were applied (also we have expended our peer groups and you will find a detailed breakdown in the appendix):

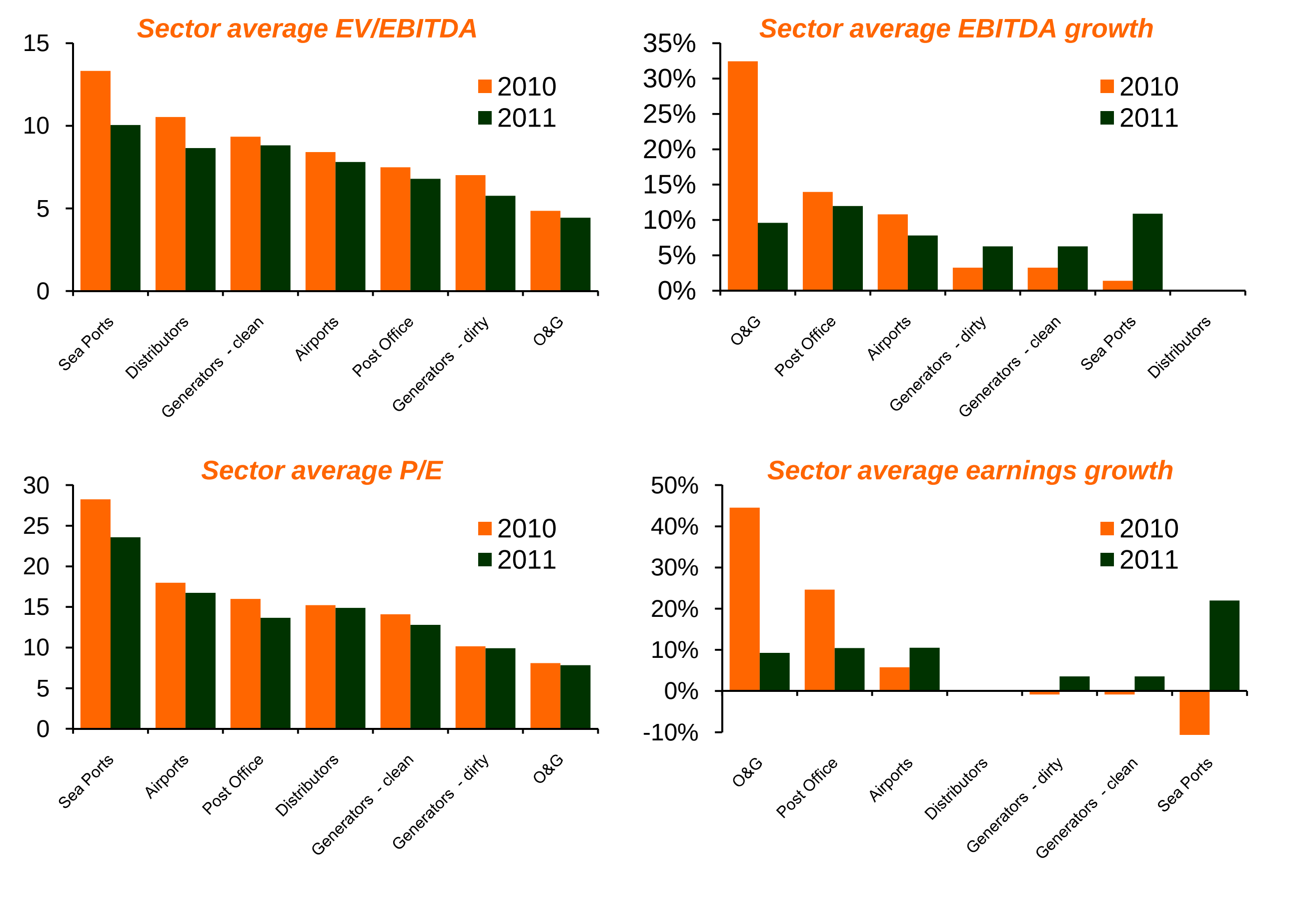
- ✓ A two-thirds weight was assigned to EV/EBITDA and one-third to P/E for **power generators**, **oil & gas, the post office** and **gas distributors**.
- ✓ For the sizable group of **power distributors**, we enriched our valuation by the very relevant sector-specific multiple of EV/Customer. The final mix of applied multiples came out at 50% for EV/EBITDA, 20% P/E and 30% EV/Customer.
- ✓ For seaports and airports, we also included EV/Sales multiples as a proxy for the other relevant measure of EV/Passenger. 60%, 20% and 20% weights were assigned to EV/EBITDA, P/E and EV/Sales respectively

Under this valuation approach, we came to a total value for the unlisted companies of RON 7.6 bil (EUR 1.8 bil) or RON 0.56 per share. The total NAV per share equals the lower border of our target range of RON 1.06.

(ii) Under the **secondary valuation** approach, we used only EV/EBITDA multiples. We believe it is the most appropriate valuation gauge for energy producers and distributors (electricity, as well as oil & gas), which altogether make up some 77% of the unlisted portfolio.

Using only EV/EBITDA, we calculated the fair value of the unlisted portfolio as RON 8.66 bil (EUR 2.03 bil) or RON 0.63 per share. The main difference compared to our cautious valuation is attributable to power generators (an upside of some RON 735 mil). The reason is that while the EBITDA margin of Romanian generators is quite similar to that of its peers, the net margin is about half and the inclusion of the P/E multiple drags the valuation down compared to using only the more relevant EV/EBITDA.

Applied valuation multiples and growth rates – averages for sector peer group



Source: Fondul Proprietatea, Bloomberg, Companies, Wood & Company

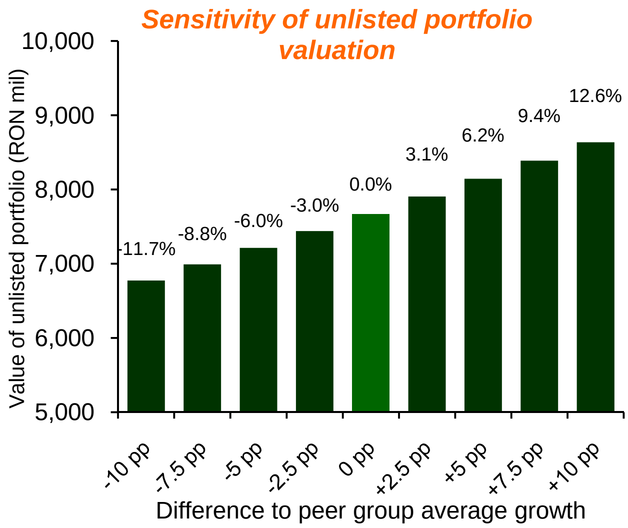
We present below the average expected peer groups growth rates (for 2010 and 2011) and the multiples (EV/EBITDA, P/E and EV/Sales) as we are using in our base case valuation for the different sectors:

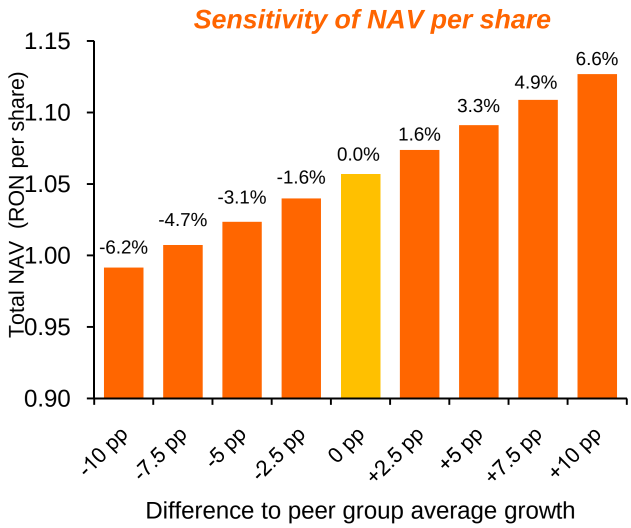
Unlisted portfolio Sector valuation	P/E		Earnings growth		EV/EBITDA		EBITDA growth		EV/Sales		EBITDA growth	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Generators - dirty	10.2	9.9	-1%	4%	7.0	5.8	3%	6%				
Generators - clean	14.1	12.8	-1%	4%	9.3	8.8	3%	6%				
Distributors	15.2	14.9	0%	0%	10.5	8.7	0%	0%				
O&G	8.1	7.8	45%	9%	4.9	4.4	32%	10%				
Airports	18.0	16.7	6%	11%	8.4	7.8	11%	8%	3.0	2.9	-3%	5%
Sea Ports	28.3	23.6	-22%	22%	13.3	10.0	1%	11%	3.5	3.3	6%	7%
Post Office	16.0	13.7	25%	10%	7.5	6.8	14%	12%				

All the Fund's major unlisted holdings are, in our view, likely to show quite a different growth rate than their respective peer group. The downside could come from Romania's macro outlook (we forecast a GDP recovery only in 2011), while the potential to outperform peers lies in the expected market liberalisation and privatisations.

We are therefore running a sensitivity exercise below, illustrating the impact of different growth rates of the Fund's holdings versus the peer groups:

Sensitivity towards 2010 and 2011 earnings growth for companies in unlisted portfolio



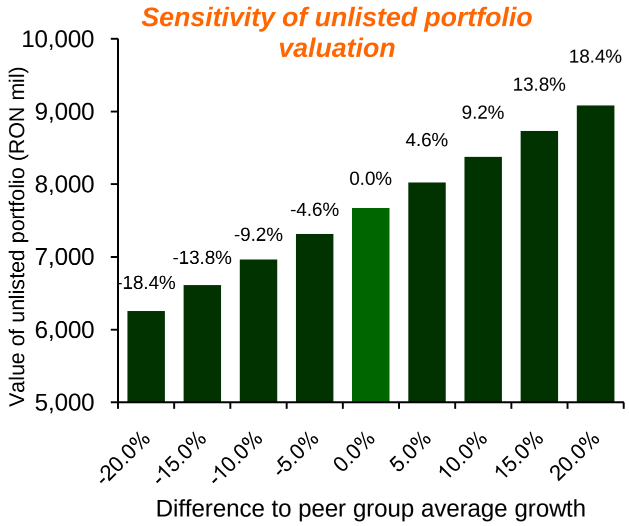


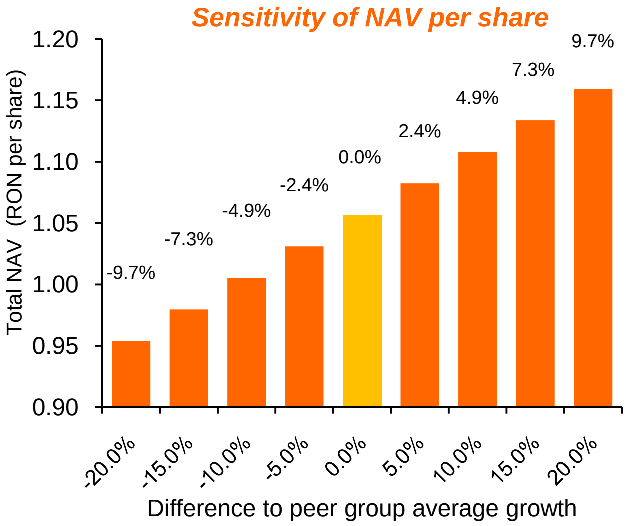
Difference to sector average growth	**-10 pp**	**-7.5 pp**	**-5 pp**	**-2.5 pp**	**0 pp**	**+2.5 pp**	**+5 pp**	**+7.5 pp**	**+10 pp**
Value of unlisted portfolio (RON mil)	6,774	6,992	7,214	7,440	7,670	7,905	8,144	8,388	8,636
Relative difference	*-11.7%*	*-8.8%*	*-6.0%*	*-3.0%*	*0.0%*	*3.1%*	*6.2%*	*9.4%*	*12.6%*
Total NAV (RON per share)	**0.99**	**1.01**	**1.02**	**1.04**	**1.06**	**1.07**	**1.09**	**1.11**	**1.13**
Relative difference	*-6.2%*	*-4.7%*	*-3.1%*	*-1.6%*	*0.0%*	*1.6%*	*3.3%*	*4.9%*	*6.6%*

Source: Fondul Proprietatea, Bloomberg, Companies, Wood & Company

As our table above shows, using our base case scenario valuation, a 10 pp drag in growth for the companies within the Fund's holdings would reduce our NAV per share to RON 0.99; similarly, a 10 pp outperformance would add some RON 0.07 per share.

Valuation sensitivity towards the discount applied to peer group average multiples





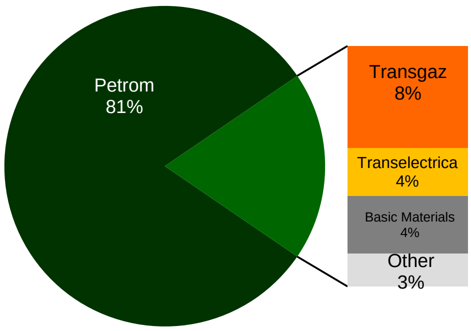
Premium/(Discount) to sector average multiples	**-20%**	**-15%**	**-10%**	**-5%**	**0%**	**5%**	**10%**	**15%**	**20%**
Value of unlisted portfolio (RON mil)	6,256	6,610	6,963	7,317	7,670	8,024	8,377	8,731	9,084
Relative difference	*-18.4%*	*-13.8%*	*-9.2%*	*-4.6%*	*0.0%*	*4.6%*	*9.2%*	*13.8%*	*18.4%*
Total NAV (RON per share)	**0.95**	**0.98**	**1.01**	**1.03**	**1.06**	**1.08**	**1.11**	**1.13**	**1.16**
Relative difference	*-9.7%*	*-7.3%*	*-4.9%*	*-2.4%*	*0.0%*	*2.4%*	*4.9%*	*7.3%*	*9.7%*

Source: Fondul Proprietatea, Bloomberg, Companies, Wood & Company

We carried out the same exercise for the sector average multiples that we are using. This is showing that applying a 20% discount to the peers multiples, would reduce our NAV per share to RON 0.95, while allowing a 20% premium would bring to NAV to RON 1.16 per share.

Listed portfolio

Listed portfolio breakdown – Market value

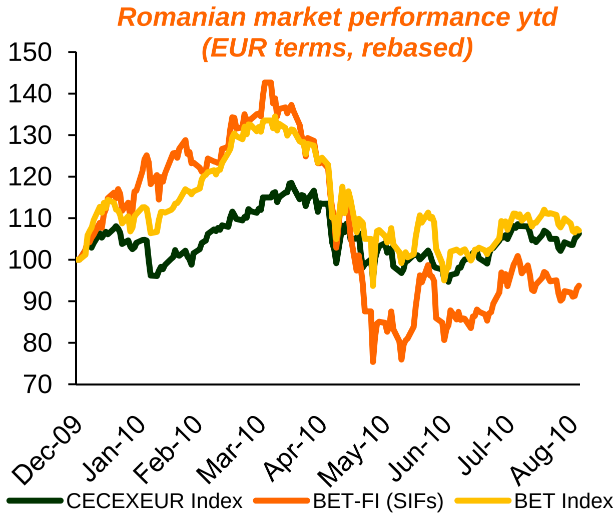


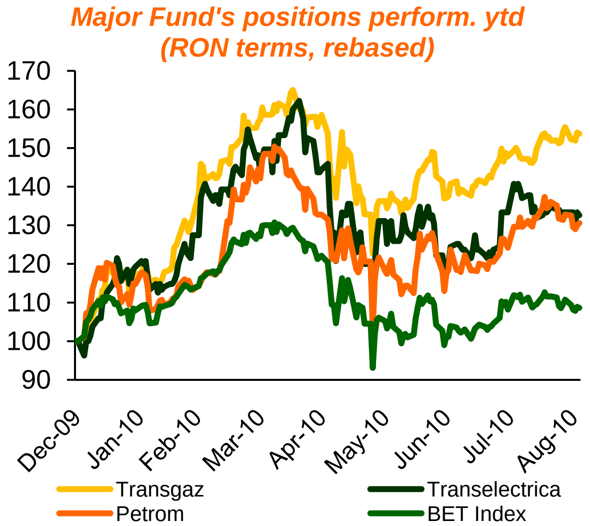
Listed portfolio	RON mil	EUR mil	Weight
Petrom	3,759	879	25.9%
Transgaz	376	88	2.6%
Transelectrica	177	41	1.2%
Basic Materials	212	49	1.5%
Consumer, Cyclical	24	6	0.2%
Consumer, Non-cyclical	1	0	0.0%
Other oil & gas	61	14	0.4%
Communications	5	1	0.0%
Financial	3	1	0.0%
Industrial	26	6	0.2%
Total Inlisted	**4,644**	**1,086**	**31.9%**
NAV per share listed (RON)	*0.34*		

Source: Fondul Proprietatea, Bloomberg, Companies, Wood & Company

Among the part of the portfolio listed on the Bucharest Stock Exchange, Petrom still dominates (with a 26% weighting), corresponding to a EUR 879 bil value or RON 0.27 per share.

Listed portfolio market performance





Source: Fondul Proprietatea, Wood & Company

Appendix 1- Porfolio breakdown

Listed Companies	Market	Ticker	Stake	Last price (RON)	Mkt Cap (EUR mil)	Fund's stake (RON mil)	Fund's stake (EUR mil)
SC Petrom SA	BVB	SNP	20.1%	0.33	18,693	3,759.1	878.9
SNTGN Transgaz SA	BVB	TGN	15.0%	241	2,507	375.7	87.8
SC Alro Slatina SA	BVB	ALR	9.9%	2.7	1,927	191.3	44.7
Transelectrica Bucuresti SA	BVB	TEL	13.5%	18	1,312	177.1	41.4
SC Conpet SA	RASDAQ	COTE	20.1%	27	234	46.9	11.0
Primcom Bucuresti SA	RASDAQ	PRIB	79.0%	18	26	20.8	4.9
SC Azomures Targu Mures SA	BVB	AZO	7.7%	0.50	263	20.2	4.7
SC Oil Terminal SA	BVB	OIL	10.0%	0.20	119	11.9	2.8
SC Severnav Drobeta Turnu-Severin SA	RASDAQ	SEVE	39.1%	6.0	30	11.8	2.8
Romaero	RASDAQ	RORX	21.0%	8.4	52	11.0	2.6
SC Telerom Proiect Bucuresti SA	RASDAQ	TEBV	68.6%	6.8	7	4.6	1.1
Delfincom	RASDAQ	DELF	65.5%	5.0	5	3.2	0.8
SC Palace Sinaia SA	RASDAQ	PACY	15.4%	0.47	18	2.7	0.6
SC Prestari Servicii Bucuresti SA	RASDAQ	PRVD	70.6%	12	3	2.4	0.6
IOR	RASDAQ	IORB	2.8%	0.73	68	1.9	0.4
Forsev Turnu Severin	RASDAQ	FORS	28.1%	0.73	2	0.7	0.2
SC Mecon Brasov SA	RASDAQ	MECP	12.5%	11	5	0.7	0.2
Comcereal Fundulea	RASDAQ	CCFD	40.0%	1.1	1	0.5	0.1
SC Transilvania - Com SA	RASDAQ	TRVC	40.0%	5.2	1	0.4	0.1
SC Vitacom Sf. Gheorghe SA	RASDAQ	VITO	46.9%	0.40	1	0.3	0.1
Alcom Timisoara SA	RASDAQ	ALCQ	71.9%	2.8	0	0.2	0.1
SC Turdapan Turda SA	RASDAQ	TUSB	40.0%	3.0	0	0.2	0.0
S.C. Mecanoenergetica	RASDAQ	MEGU	10.1%	0.08	1	0.1	0.0
SC Remat Timis Timisoara SA	RASDAQ	RETI	22.2%	5.8	1	0.1	0.0
S.C. Resib Sibiu S.A.	RASDAQ	RESI	2.9%	0.08	2	0.1	0.0
S.C. Comcereal Miercurea Cluj S.A.	RASDAQ	CHAR	11.4%	1.6	1	0.1	0.0
S.C. Bat Service Buzau S.A.	RASDAQ	BATS	33.0%	0.11	0	0.0	0.0
Total					**25,280**	**4,644**	**1,086**
NAV per share						*0.34*	*0.08*
Petrom as a % of total					*73.9%*	*80.9%*	

Source: Fondul Proprietatea, Wood & Co research, Bloomberg

Unlisted Companies included in our valuation	Stake	2009 results EBITDA (RON mil)	Net profit (RON mil)	Equity (RON mil)	Fund's stake NAV (RON mil)	NAV (EUR mil)	NAV (valued on EV/EBITDA) (RON mil)	(EUR mil)
Generators		**1,900.4**	**125.1**	**28,109.0**	**2,051**	**479**	**2,786**	**651**
Hidroelectrica	20.0%	817.8	48.4	16,555				
Nuclearelectrica	9.7%	692.6	49.5	7,254				
Energy complex Turceni	24.9%	75.5	0.3	1,097				
Energy complex Craiova	25.5%	76.1	5.6	1,065				
Energy complex Rovinari	23.7%	238.4	21.3	2,139				
Distributors		**1,927.9**	**1,219.0**	**13,117.8**	**3,537**	**827**	**3,521**	**823**
Electrica Distributie Muntenia Nord	22.0%	107.8	24.7	1,056				
Electrica Distributie Transilvania Nord	22.0%	111.7	14.0	768				
Electrica Distributie Transilvania Sud SA	22.0%	119.1	23.2	822				
ENEL Distributie Banat SA	24.1%	219.7	149.3	1,152				
ENEL Distributie Dobrogea SA	24.1%	143.7	92.1	807				
ENEL Energie SA	12.0%	-28.6	-46.7	197				
ENEL Distributie Muntenia Sud SA	12.0%	227.3	280.1	2,705				
ENEL Energie Muntenia Sud	12.0%	-6.8	13.4	309				
E.ON Moldova Distributie	22.0%	163.2	53.6	822				
E.ON Moldova Furnizare	22.0%	-24.1	-27.6	149				
E.ON Gaz	12.0%	154.3	141.7	825				
Distrigaz Sud SA (EON Gaz Distributie)	12.0%	146.3	101.1	900				
GDF Suez Energy Romania	12.0%	522.1	380.4	2,522				
Electrica Furnizare Transilvania Nord	22.0%	12.3	0.6	29				
Electrica Furnizare Transilvania Sud	22.0%	20.0	0.8	40				
Electrica Furnizare Muntenia Nord	22.0%	40.0	18.4	14				
Oil & Gas		**1,288.7**	**572.5**	**8,308.5**	**1,301**	**304**	**1,416**	**331**
Romgaz	14.99%	1,288.7	572.5	8,308				
Airports		**198.3**	**77.7**	**5,056.7**	**348**	**81**	**375**	**88**
Aeroportul Int. Bucuresti Baneasa	20.00%	183.2	74.1	5,032				
Constanta Airport	20.00%	2.9	0.1	0				
Timisoara Airport	20.00%	12.2	3.5	25				
Seaports		**65.6**	**14.9**	**380.6**	**269**	**63**	**385**	**90**
Constanta Port	20.00%	7.9	2.5	79				
Galati Port	20.00%	57.7	12.4	302				
Romanian Post Office	**25.00%**				**168**	**39**	**182**	**43**
Total					**7,673**	**1,794**	**8,665**	**2,026**
NAV per share					*0.56*	*0.13*	*0.63*	*0.15*

Source: Fondul Proprietatea, Wood & Co research

Other unlisted companies (not included in our valuation)

Carbid Fox Tarnaveni	7.97%	Laromet	6.52%
Carom Asigurari Bucuresti	70.00%	Marlin Ulmeni	4.78%
Cetate Suceava	7.62%	Petrotel Lukoil P	2.18%
Ciocarlia Ploiesti	1.69%	Plafar	49.00%
Commetex Piatra Neamt	16.00%	Retizoh Craiova	7.38%
Comsig Sighisoara	69.95%	Romplumb	51.00%
Elcond Zalau	5.11%	Salrom	49.00%
Electromecanica Ploiesti	49.00%	Salubriserv Targu	17.49%
FECNE Bucuresti	12.12%	Simtex	30.00%
Familial Restaurant Iasi	2.76%	UM Bucuresti	36.60%
Celuloza si Otel	8.63%	World Trade Cen	19.90%
Gerovital Cosmetics Bucuresti	9.77%	Zamur	7.07%
Forsev Turnu Severin	28.14%	Zirom	100.00%

Source: Fondul Proprietatea, Wood & Co research

Appendix 2- Peer groups

Oil & gas

Ticker	Company	Country	Price (LCU)	Market cap (EUR mil)	P/E '10 2009	2010	2011	EV/EBITDA 2009	2010	2011	Earnings growth 09-10	10-11	EBITDA growth 09-10	10-11
bg/ ln Equity	BG Group	GB	1,092.5	44,265	15.9	14.5	12.7	7.9	7.5	6.5	10.0%	13.7%	5.9%	14.6%
BP/ ln Equity	BP	GB	401.7	90,435	8.3	5.8	5.5	3.9	3.4	3.0	41.4%	5.8%	15.9%	12.9%
FP FP Equity	Total	FR	38.8	91,106	11.2	8.3	7.6	4.9	3.8	3.5	35.1%	9.4%	28.2%	9.9%
ENI IM Equity	ENI	IT	16.4	65,648	11.5	8.8	7.6	4.5	3.6	3.3	31.2%	15.7%	26.3%	10.5%
CVX US Equity	Chevron	US	78.0	121,731	15.2	8.4	7.8	4.9	3.3	3.1	81.7%	6.6%	46.5%	6.5%
COP US Equity	ConocoPhillips	US	55.1	63,385	15.2	8.9	7.6	4.9	3.7	3.6	70.5%	17.6%	33.8%	2.0%
dvn us Equity	Devon Energy	US	63.5	21,448	17.6	10.6	10.4	6.5	4.9	4.9	65.1%	2.2%	31.8%	0.4%
chk us Equity	Chesapeake Energy	US	21.7	11,032	8.8	7.4	7.7	6.6	5.4	4.9	18.9%	-4.4%	24.1%	9.5%
apa us Equity	Apache	US	92.6	26,189	16.7	9.8	8.0	6.4	4.1	3.2	70.4%	22.2%	53.2%	28.9%
snp ro Equity	Petrom	RO	0.3	4,371	12.2	8.3	7.5	8.6	5.7	4.9	48.1%	10.0%	52.6%	16.2%
kmg li Equity	KazMunaiGas	KZ	17.8	5,821	5.2	5.4	5.2	6.0	4.5	4.7	-4.8%	3.9%	31.4%	-3.5%
gazp ru Equity	Gazprom	RU	5.3	97,392	5.5	4.5	4.0	4.7	3.8	3.5	23.1%	11.8%	22.8%	9.7%
PGN PW Equity	PGNiG	PD	3.4	5,021	23.1	12.3	11.6	8.0	5.4	5.0	88.3%	5.9%	49.4%	7.0%
TNBP RU Equity	TKN-BP	RU	2.0	23,165	5.9	5.2	4.8	3.8	3.3	3.1	13.5%	7.5%	18.1%	4.5%
LKOD LI Equity	Lukoil	RU	54.5	35,982	6.5	5.3	5.3	3.9	3.4	3.5	21.7%	1.2%	14.6%	-1.5%
ROSN LI Equity	Rosneft	RU	6.6	53,966	9.9	6.0	5.8	6.5	4.5	4.7	64.4%	5.1%	45.8%	-4.1%
NVTK LI Equity	Novatek	RU	74.1	17,464	28.3	17.5	14.2	19.4	12.3	10.1	61.8%	22.9%	58.6%	21.0%
Average					**11.8**	**8.1**	**7.8**	**6.6**	**4.9**	**4.4**	**44.5%**	**9.3%**	**32.4%**	**9.6%**

Source: Bloomberg, Wood & Company — *not included in peer group average*

Power generation

Ticker	Company	Country	Price (LCU)	Market cap (EUR mil)	P/E '10 2009	2010	2011	EV/EBITDA 2009	2010	2011	Earnings growth 09-10	10-11	EBITDA growth 09-10	10-11
High and medium carbon intensity - dirty power producers														
CEZ CP Equity	CEZ	CZ	832.0	18,125	8.7	9.3	9.1	6.3	6.6	6.4	-6.9%	2.0%	-3.7%	3.2%
EOAN GR Equity	E.ON	GE	23.0	45,993	7.9	8.4	9.1	6.3	6.3	6.5	-5.7%	-7.8%	-0.2%	-3.2%
RWE GR Equity	RWE	GE	53.3	29,860	8.4	7.7	8.2	5.3	4.7	4.8	9.8%	-6.5%	13.3%	-1.6%
enel im Equity	ENEL	IT	3.9	36,579	7.7	8.5	8.4	6.3	6.0	5.9	-8.9%	1.1%	5.2%	1.4%
ele sm Equity	Endesa	SP	19.3	20,476	7.9	8.5	9.1	5.1	5.2	5.2	-7.8%	-6.0%	-1.8%	0.2%
edp pl Equity	EDP	PO	2.4	8,845	9.3	8.4	8.6	8.6	7.9	7.6	10.7%	-2.4%	9.3%	4.0%
PGE PW Equity	EDP	PD	23.0	10,911	11.0	13.4	11.4	6.0	6.7	6.0	-18.1%	17.2%	-10.2%	12.0%
ENA PW Equity	EDP	PD	20.2	2,265	15.4	13.0	10.8	5.3	4.5	3.8	17.8%	20.7%	18.3%	16.7%
OGKA RU Equity	OGK-1	RU	0.0	1,206	34.8	17.4	8.7	8.6	6.2	4.0	100.0%	100.0%	40.3%	53.1%
OGKB RU Equity	OGK-2	RU	0.0	1,232	48.5	24.3	9.7	14.0	11.4	6.1	100.0%	150.0%	23.5%	87.5%
OGKC RU Equity	OGK-3	RU	0.0	1,825	16.5	24.8	24.8	4.4	6.1	4.2	-33.3%	0.0%	-27.3%	44.3%
OGKD RU Equity	OGK-4	RU	0.1	3,651	24.9	18.7	10.7	19.5	13.2	7.0	33.3%	75.0%	48.0%	89.4%
DRX LN Equity	Drax	GB	406.4	1,776	7.3	6.9	8.5	4.1	3.8	4.6	5.7%	-19.0%	8.8%	-17.7%
TA CN Equity	Transalta	CA	21.6	3,538	22.3	19.6	16.8	11.5	9.9	8.8	13.5%	16.9%	16.5%	12.1%
Dirty power producers average					**9.3**	**10.2**	**9.9**	**8.0**	**7.0**	**5.8**				
Low carbon intensity - green power producers														
ibe sm Equity	Iberdrola	SP	5.7	30,542	11.0	11.1	10.6	8.9	8.3	7.8	-1.0%	4.7%	7.1%	6.0%
edf fp Equity	EdF	FR	32.1	59,339	15.7	16.0	14.1	7.2	6.7	6.4	-1.7%	14.0%	6.6%	5.3%
ver av Equity	Verbund	AS	27.4	8,445	12.8	17.5	14.5	10.6	12.8	11.5	-27.0%	20.8%	-17.4%	11.4%
fum1v fh Equity	Fortum	FI	18.4	16,355	12.5	11.8	12.1	10.0	9.6	9.6	6.2%	-2.4%	4.2%	-0.2%
Green power producers average					**13.0**	**14.1**	**12.8**	**9.1**	**9.3**	**8.8**				
Total power generation average					**10.4**	**11.3**	**10.6**	**8.2**	**7.5**	**6.5**	**-0.8%**	**3.6%**	**3.3%**	**6.3%**

Source: Bloomberg, Wood & Company — *not included in peer group average*

Seaports

Ticker	Company	Country	Price (LCU)	Market cap (EUR mil)	P/E '10 2009	2010	2011	EV/EBITDA 2009	2010	2011	Earnings growth 09-10	10-11	EBITDA growth 09-10	10-11
hhfa gr Equity	HAMBURGER HAFEN	GE	28.3	2,055	35.2	36.0	27.1	8.8	8.9	7.8	-2.1%	32.6%	-1.6%	14.2%
lkpg sv Equity	LUKA KOPER	SV	16.0	223	14.2	31.9	26.6	9.6	11.7	10.5	-55.6%	20.0%	-17.5%	10.4%
ppa ga Equity	PIRAEUS PORT AUT	GR	14.0	351	56.1	36.6	33.0	18.5	15.0	12.7	53.2%	11.0%	23.1%	18.0%
OLTH GA Equity	Thessalonik Port	GR	12.5	126	26.0	-155.8	n/a	24.1	24.1	n/a	-116.7%	n/a	0.0%	n/a
FPT LN Equity	FORTH PORTS PLC	GB	1,358.0	744	25.4	23.6	21.5	15.0	13.7	13.0	7.4%	10.0%	9.1%	5.6%
NMTP RU Equity	Novorossiysk	RU	0.1	2,168	11.2	13.2	9.7	6.3	6.6	6.2	-15.4%	36.4%	-4.7%	6.1%
Average					**22.4**	**29.8**	**23.6**	**13.7**	**13.3**	**10.0**	**-7.3%**	**22.0%**	**1.4%**	**10.9%**

Source: Bloomberg, Wood & Company — *not included in peer group average*

Airports

Ticker	Company	Country	Price (LCU)	Market cap (EUR mil)	P/E '10 2009	2010	2011	EV/EBITDA 2009	2010	2011	Earnings growth 09-10	10-11	EBITDA growth 09-10	10-11
flu av Equity	Wien	AS	46.2	970	14.3	12.8	13.0	9.9	9.1	8.6	11.2%	-1.4%	8.4%	5.9%
kbhl dc Equity	Copenhagen	DE	1,392.0	1,468	16.3	16.3	15.3	9.7	9.0	8.5	-0.2%	7.1%	7.6%	6.1%
fhzn sw Equity	Zurich	SZ	334.5	1,566	15.1	15.8	13.3	7.9	7.3	6.8	-3.9%	18.2%	8.1%	6.9%
adp fp Equity	France	FR	57.9	5,726	21.7	20.3	18.6	9.4	8.9	8.4	7.0%	8.7%	6.4%	6.3%
GEM IM Equity	France	IT	0.5	709	95.9	43.6	20.0	8.4	7.6	7.0	120.0%	118.2%	10.2%	8.2%
SAVE IM Equity	Italty (Venice)	IT	6.9	379	27.4	18.3	16.1	8.1	7.3	6.7	50.0%	13.3%	10.7%	9.7%
FRA GR Equity	Frankfurt	GE	41.9	3,852	28.0	24.4	20.8	12.1	9.8	8.8	14.8%	17.1%	24.2%	11.5%
Average					**20.5**	**18.0**	**16.7**	**9.4**	**8.4**	**7.8**	**5.8%**	**10.5%**	**10.8%**	**7.8%**

Source: Bloomberg, Wood & Company — *not included in peer group average*

Post office

Ticker	Company	Country	Price (LCU)	Market cap (EUR mil)	P/E '10 2009	2010	2011	EV/EBITDA 2009	2010	2011	Earnings growth 09-10	10-11	EBITDA growth 09-10	10-11
dpw gr Equity	DEUTSCHE POST-RG	GE	13.5	16,358.0	19.6	10.3	11.4	7.1	5.8	5.3	89.6%	-8.9%	22.5%	10.2%
post av Equity	OESTERREICH.POST	AS	20.6	1,389.6	12.2	12.2	12.3	5.0	5.0	5.1	0.1%	-0.5%	-0.6%	-0.8%
spost sp Equity	SINGAPORE POST	SI	1.2	1,315.3	15.3	15.1	14.4	12.2	10.9	11.1	1.3%	5.1%	11.9%	-1.6%
fdx us Equity	FEDEX CORP	US	82.8	20,207.0	22.8	22.1	16.1	6.8	6.6	5.4	3.2%	37.3%	2.9%	20.6%
ups us Equity	UNITED PARCEL-B	US	67.6	52,014.8	29.8	19.6	16.6	13.0	9.9	8.7	51.9%	17.9%	30.8%	14.6%
UKM LN Equity	UK MAIL GROUP PL	GB	370.0	242.4	16.9	16.6	15.0	8.0	7.6	7.1	1.7%	11.1%	5.1%	6.7%
TGH GR Equity	LOGWIN AG	GE	1.0	111.5	-2.4	100.0	10.0	8.3	6.6	5.0	-102.4%	900.0%	25.3%	33.4%
Average					**19.4**	**16.0**	**13.7**	**8.6**	**7.5**	**6.8**	**24.6%**	**10.3%**	**14.0%**	**11.9%**

Source: Bloomberg, Wood & Company — *not included in peer group average*

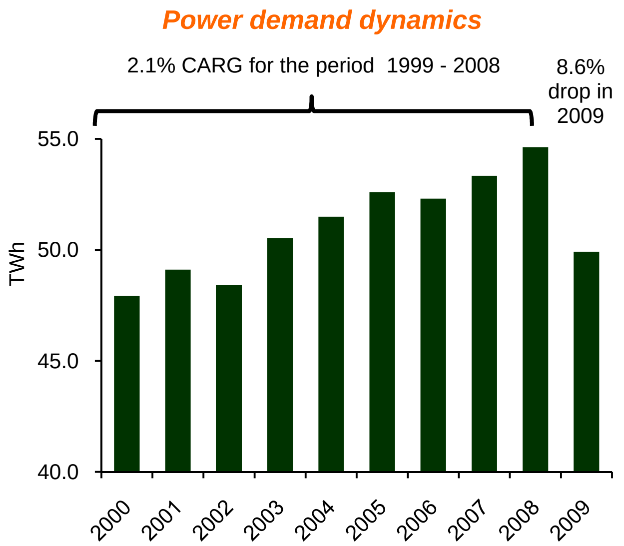
Appendix 3– Romanian energy sector

As none of the power generators and distributors has been listed to date, the possibilities of investing in the sector are currently limited to the Romanian Property Fund, which holds sizeable stakes in these companies. We find the Romanian power generation and distribution sector attractive for two main reasons: i) prospects for superior demand growth and ii) the favourable structure of power sources according to fuel type.

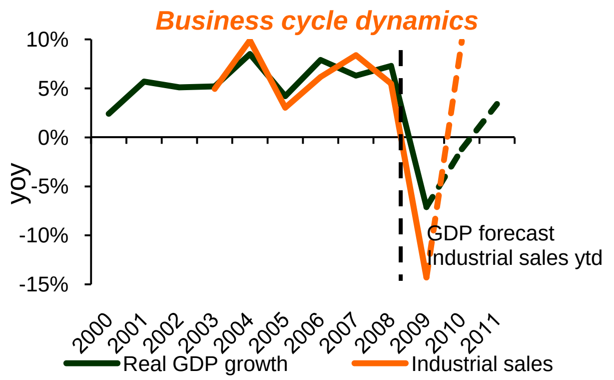
Power demand dynamics

Over the last decade until 2008, demand for electricity in Romania grew at an average annual rate of 2.1% – exceeding the pace of growth in all other Central European countries. In 2009, demand slumped by 8.6%, hammered by the contraction in the overall economy but primarily by the plunging industrial output. In line with the gradual economic recovery, power demand should return to a path of growth and will likely keep expanding at a pace above that of the rest of the CEE region.

Power mix shifted towards zero-emission sources thanks to addition of nuclear



Power demand CAGR 1999 - 2008	
Romania	2.08%
Czech Republic	1.75%
Hungary	1.68%
Poland	1.47%
Slovakia	1.21%

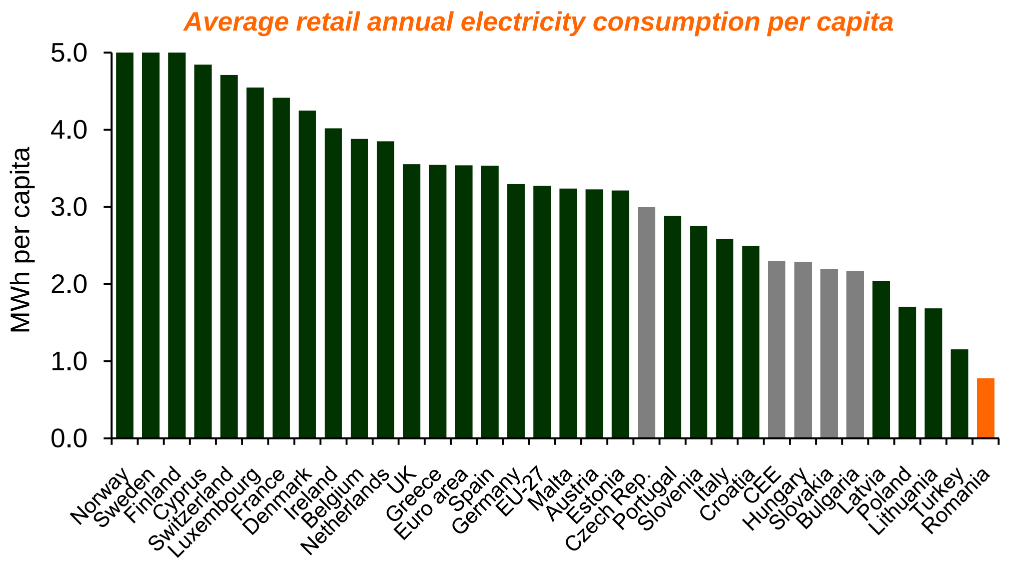


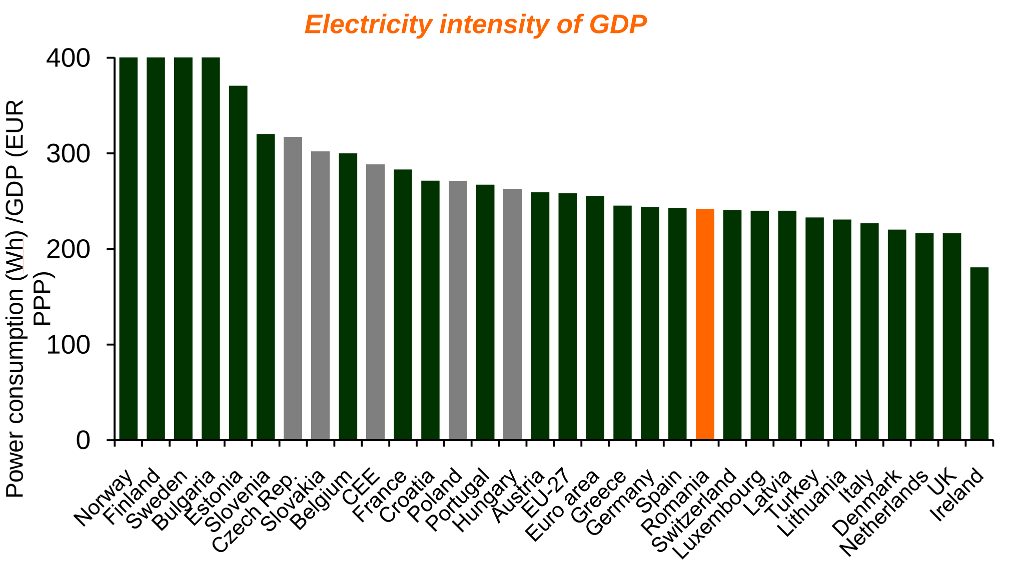
Source: ANRE, Eurostat, Bloomberg

We believe that high growth in demand is sustainable in the long term as power consumption in Romania is expanding from a very low base: retail electricity consumption (households and services) is actually the lowest in the European Union. On average, Romanians consume 0.77 MWh per capita annually, which is around a third of the retail power demand in the CEE and around a quarter of consumption in the European Union.

The overall electricity intensity of the Romanian economy, measured by electricity consumption for 1 EUR of economic output, is also relatively low – far below the EU and CEE averages.

Power demand in Romania grows from low basis





Source: Company data

Favourable power generation mix

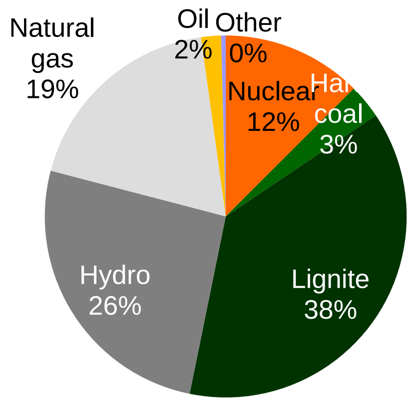
The structure of the Romanian power generation sector from the point of view of fuel type is highly favourable, in contrast for example to the Polish power sector, which is currently being successfully partially privatised.

Zero CO2 emission sources (nuclear and hydro) generate around half of total produced electricity, followed by 11% from low-emission natural gas. Average carbon intensity for the power generation sector as a whole averages 0.43 tons of CO2 per MWh, compared to 0.69 for CR and more than one for Poland. This makes Romanian energy sector able to meet the ambitious European CO2 emissions regulation. "Clean" power producers sustainably trade with a 30-40% premium over "dirty" power producers on the market. Nuclearenergetica and Hidroenergetica fit perfectly into this definition, which makes them highly attractive investments if privatised.

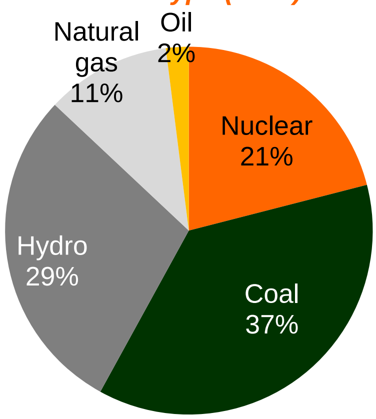
The share of nuclear power nearly doubled over the past two years, which reduced the overall pollution factor (volume of emitted CO2 per generated MWh of electricity) of Romanian energetics. Nuclearenergetica's second 700 MW block was recently plugged into the network alongside the first block, which has been running since 1996-97. The project to create two new blocks at Cerna Voda nuclear power plant (@ 700-720 MW) should be completed in 2015-16. Nucleaenergetica owns 51% of Cerna Voda. RWE, ArcelorMittal, CEZ, Electrabel, ENEL and Iberdrola are also part of the consortium with minority stakes. Cerna Voda will further boost the share of nuclear energy in the power mix.

Power mix shifted towards zero-emission sources thanks to addition of nuclear

Power generation according to fuel type (2007)



Power generation according to fuel type (2009)

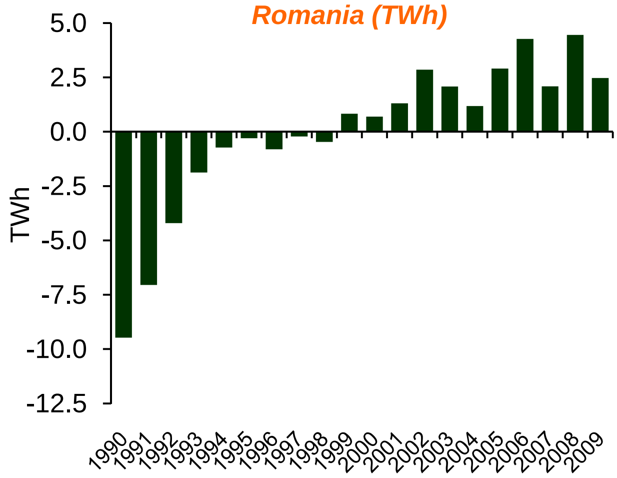


Source: Company data

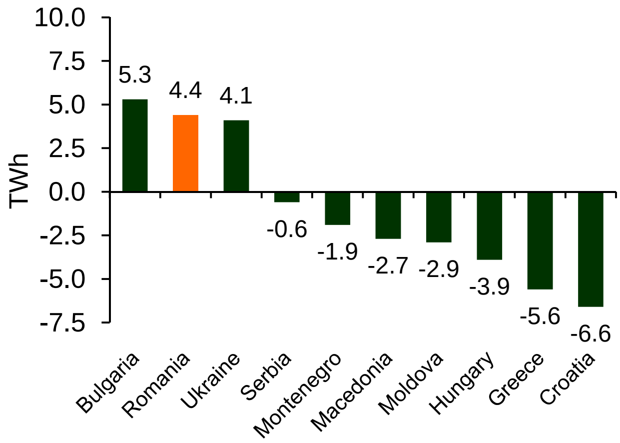
Capacity additions within the young nuclear power portfolio of Nuclearenergetica also helped Romania to make the transition from net power importer to one of the few European power-producing countries, alongside the Czech Republic and France. Romania's neighbouring countries (with the exception of Ukraine, Bulgaria, and Serbia) have deficit power balances and might to a certain extent depend on Romanian exports. As seen in power prices flows from Romania in the southern and western directions, Romanian exports are also indirectly balancing the deficit power market in the Balkans, in particular Greece and Croatia (2008 power balances in 5.6 TWh and 6.6 TWh deficits, respectively).

Shift towards the position of net electricity exporter

Net exports of electricity from Romania (TWh)

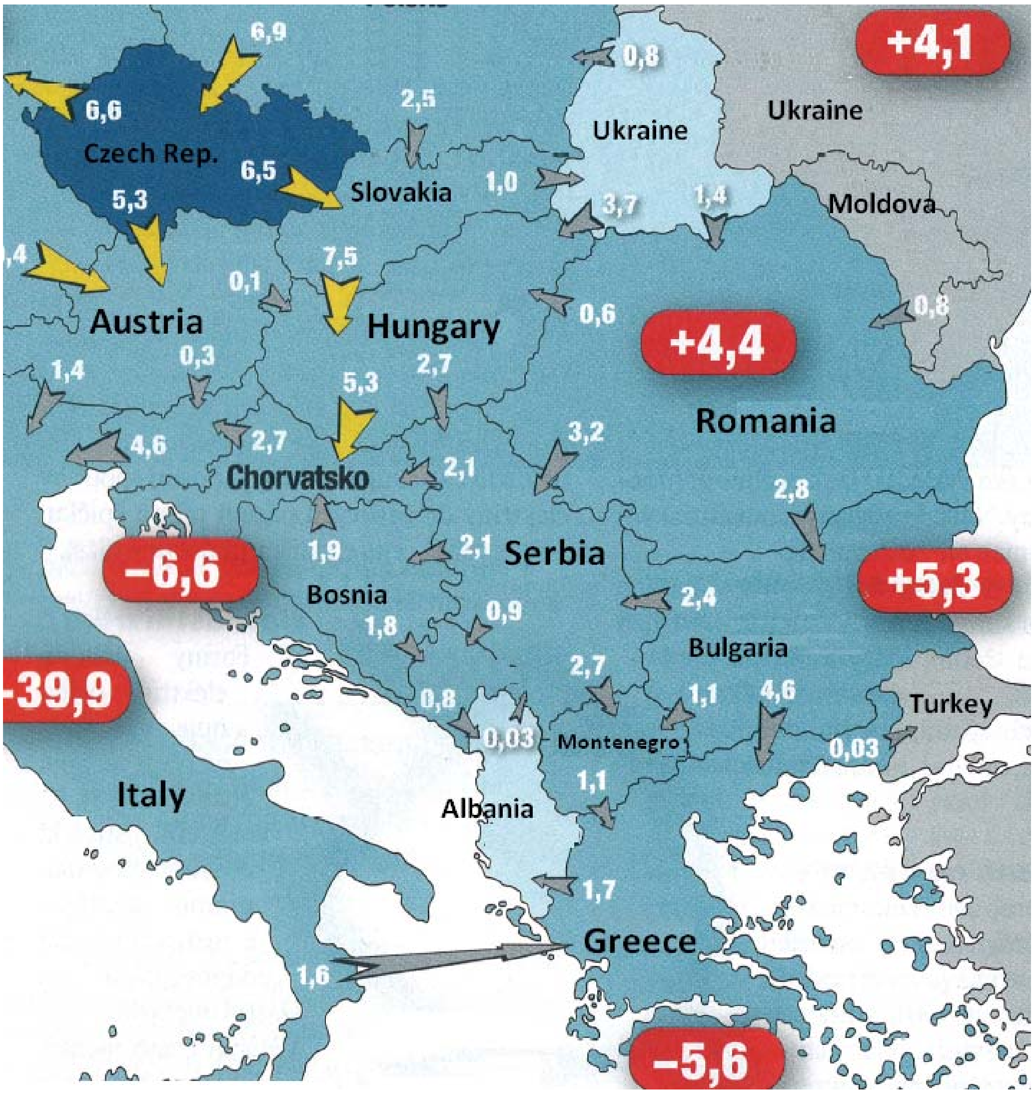


Regional supply demand balance (Net exports, 2008, TWh)



Source: ENTSO-E, ANRE, Wood & Company

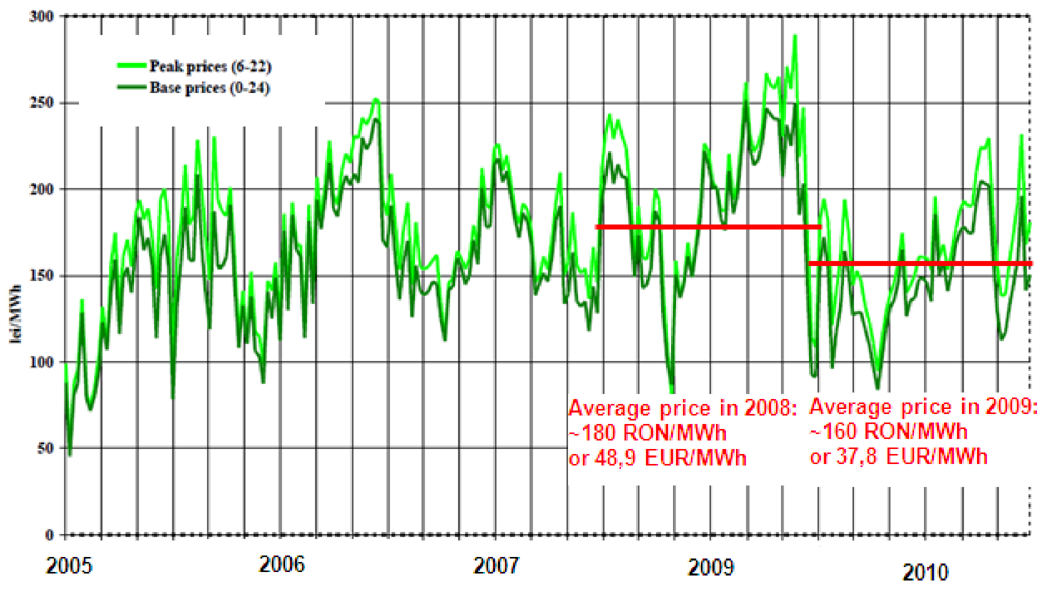
Regional electricity flows



Source: ENTSO-E, ANRE, Wood & Company

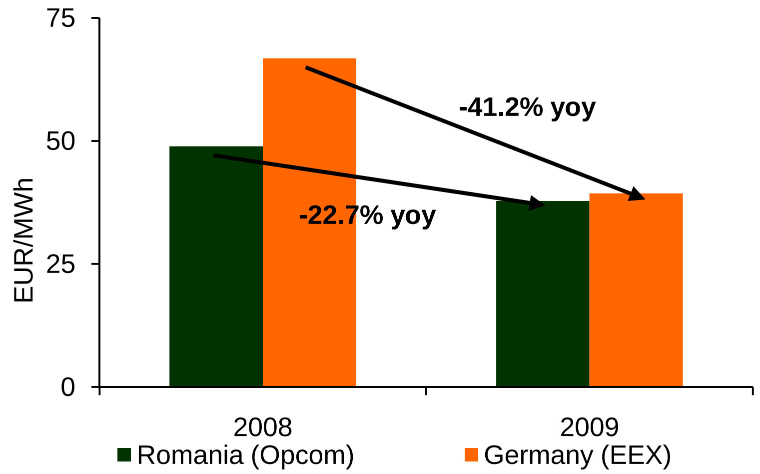
The average wholesale spot power price Romania in 2009 equaled ~160 RON/MWh, equivalent of EUR 37.8 EUR/MWh which means ~23% decline in EUR terms compared to the 2008 level of 180 RON/MWh (or 48.9 EUR/MWh). Last year's prices were at a very similar level to the German market, which is a benchmark and effectively a price maker for CEE. Back in 2008, power prices in Romania did not peak as much as on the German market, but the yoy decline in 2009 was also much lower than in Germany where prices slumped by more than 40%.

Wholesale spot power prices in Romania



Source: ANRE, Opcom, Wood & Company

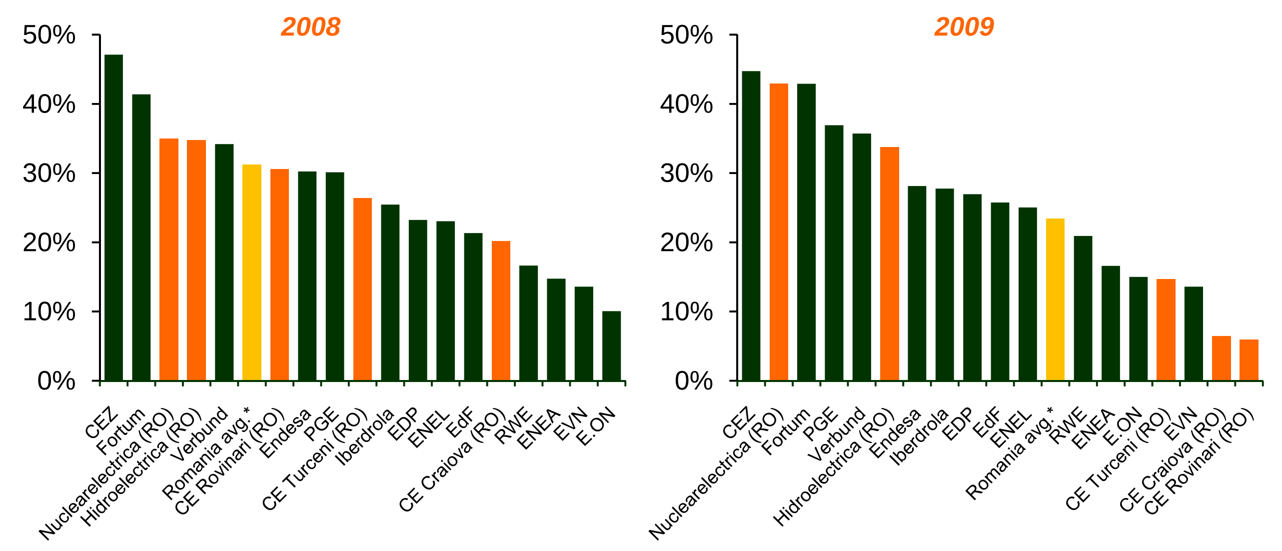
Romania power prices compared to Germany



Source: ANRE, Opcom, Wood & Company

Another positive implication of a favourable fuel mix in Romanian energetics is the low variable cost basis. In 2009, 29% of total generated electricity was produced in hydro power plants with virtually no variable cost, and a further 21% was nuclear energy, which is substantially cheaper on the variable cost level than any other conventional power source burning fossil fuels. As a result, the Romanian power generating segment should be sustainably achieving a solid EBITDA margin. It also proved strong compared to other European power producers (based on 2008 numbers, as 2009 results for Romanian companies are still not available). Nuclearenergetica and Hidroenergetica generated one of the highest EBITDA margins in the sector, only CEZ and green producer Fortum were more profitable. The margin achieved was roughly equal to that of Austrian Verbund, which is primarily a hydropower producer.

EBITDA margin



**based on combined results of five power producers held in the portfolio of Romanian Restitution Fund which altogether amount for 70% of total power generation in Romania*
Source: ANRE, Opcom, Wood & Company

Energy companies reorganization.

The initial plan for reorganizing Romania's energy companies was intended to create two integrated companies (basically a mix of different energy producers together with distribution). In the last form (approved by Government Decision No56/2010), distribution was taken out of the projects so the two companies should be composed of different parts of Hidroelectrica, Nuclearelectrica, Romgaz and the three other energy complexes where the Fund is a shareholder, plus other coal and thermal-power producers not part of the Fund's holdings:

Energy companies reorganization scheme

Electrica		Hydroenergetica			
Company	***Power type***	**Company**	***Power type***	**Company**	***Power type***
CE Turceni	*Thermal*	CTE Deva	*Thermal*	SH Caransebes	*Hydro*
CE Rovinari	*Thermal*	CET Paroseni	*Thermal*	SH Hateg	*Hydro*
CE Craiova	*Thermal*	ELCEN	*Thermal*	SH Arges	*Hydro*
Nuclearelectrica Units1&2	*Nuclear*	SH Pd Fier	*Hydro*	SH Cluj	*Hydro*
SH Valcea	*Hydro*	SH Sebes	*Hydro*	SH Bistrita	*Hydro*
SH Slatina	*Hydro*	SH Buzau	*Hydro*	SH Sibiu	*Hydro*
SNLO	*Lignit*	SH Tg Jiu	*Hydro*	CNH	*Coal*

Source: Wood & Company

The Restitution Fund would be given stakes in these two companies, according to an independent valuation.

There are few obstacles in fulfilling these mergers. First, the companies need legal approval from the Competition Council and the EU Commission - a process that could stretch until the end of the year. Second, assuming all legal steps have been fulfilled, the technical process of merging these very different energy generators could take 2-3 years. So if all goes according to plan, the mergers could be fully operational near 2014-2015.

The alternative is to keep the current structure of the companies and either IPO or privatize them to strategic investors (as had been the case). Given the political and technical issues behind the mergers, we would roughly see the reorganization plans as 60:40 in the advantage of the current structure. Moreover, according to a recently revealed government paper, the state intends to raiss EUR 1 bil by privatizing minority stakes in listed Petrom, Transgaz, Transelectrica and non-publically traded Romgaz. Nonetheless, privatization of minority stakes in energy companies or their reorganization will likely be a major (and controversial) subject in the coming years.

Back in July, the Fund contested in court the reorganisation of the energy companies into Electra. The history goes back a few years, when the Fund was given 20% in Nuclearelectrica and 25% in CECraiova. The state then made some successive capital increases, without maintaining the Fund's stakes (as the law stipulates) and therefore the Fund was diluted to 9.72% and 24.4% respectively. Basically,what the Fund is trying to achieve by this contest is to halt the reorganisation until the issue is solved. Overall, power generators account for 19% of total Fund's NAV on our numbers.

Such a position from the Fund was expected as the issue of the stakes (mainly the one in Nuclearelectrica) has been strongly disputed over the past years.

We believe that the court debate which should follow could be quite lengthy (given the track record in Romania) and therefore the process of reorganising the companies can be significantly delayed.

Appendix 4 – Macro: More pain before it gets better

Macro summary: Romania's economy is struggling to overcome the negative side effects of the implementation of the austerity programme, a prerequisite for receiving further IMF-EU loans. As a consequence the unemployment rate remains at a high level and domestic consumption is depressed. However, we see light at the end of the tunnel, as Romania's economic decline slowed in 2Q10, supported by a weaker lei and a growth pickup in its major trading partners. The government is still keen to implement austerity reforms – in contrast to Hungary – raising hopes that Romania will be back on a sustainable GDP growth path from 2011 onwards.

Recent macro developments: Strong **exports** helped Romania to turn back to positive qoq GDP growth in 2Q10, but Romania is one of the very few Emerging Markets countries still experiencing negative yoy growth (-0.5%). 2Q10 GDP grew 0.3% qoq, but will probably again see a qoq decline starting from the next quarter as a result of the austerity measures that the government implemented in June (public sector wage cuts) and July (VAT increase) to meet the IMF budget targets.

Higher exports supported **industrial output**, which rose 4.7% yoy in June, clearly an improvement on last year's June figure (-8.9%). The **trade deficit** narrowed at the start of 2010 but widened again in the last months to EUR 890mn in June, approximately 0.75% of GDP. **Exports** achieved a new record in June (EUR 3.3bn), an increase of 29% yoy, supported by better sales to EU destinations. **Imports** rose 26.5% yoy in June to EUR 4.2bn, but were still lower than the record EUR 5.4bn reached in September 2008, thanks to the currently limited domestic consumption and investments.

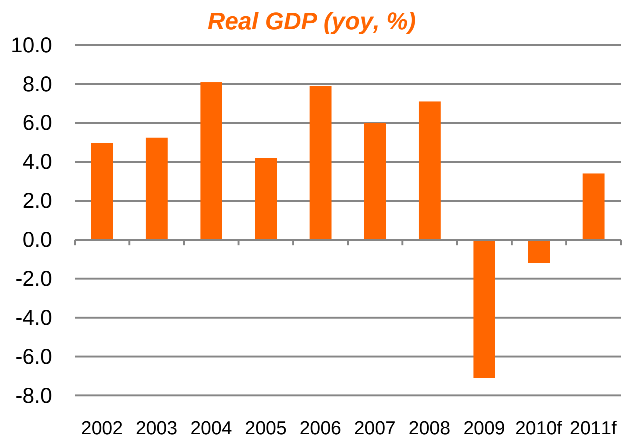
The **current account deficit** surprised on the upside in 1H10 expanding by EUR 1.2bn yoy to EUR 3.65bn, despite a EUR 250mn contraction in the trade deficit, to EUR 3.0bn, as revenues from current transfers fell by EUR 900mn to EUR 1.1bn, likely because of Spain's economic problems affecting Romanian emigrant workers. The EIU forecasts a CA deficit of 5.6% of GDP in 2010 and 6.8% in 2011 vs 4.4% in 2009, taking into consideration that services and income deficits will expand and FDI's will grow again despite the yoy fall 2010YTD. However, demand for imported consumer goods will shrink in 2H10 due to the VAT rise. The rising CAD is a risk for Romania as the funding will be more difficult and be more reliant on less predictable other investment inflows, which reflect intracompany loans within the banking and corporate sectors.

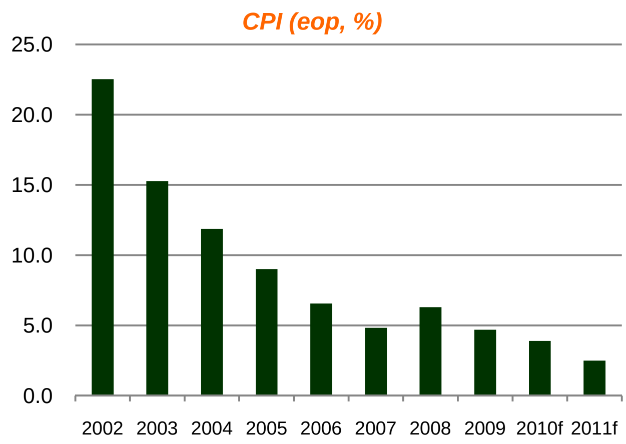
On a positive note, the structural improvement of faster **labour productivity** ahead of wage growth, an important ingredient in increasing competitiveness, is continuing. However, lower wages also imply limited support for a recovery in household spending. As a consequence, **retail sales** declined by 8.6% yoy in July or 10.5% mom and the increase in VAT and the reduction in public wages are stifling domestic demand.

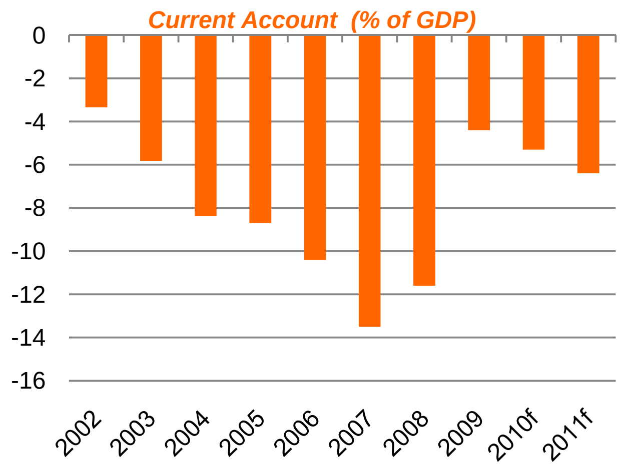
Credit conditions remain tight, as retail lending rates in RON remain at teen levels and the interest in lending from the private sector has reduced as a result of lower wage growth and fears of unemployment. Romanian overdue private debt almost tripled yoy in July to USD 4bn as the recession made it harder for borrowers to repay their loans. But banks should, however, be able to digest rising NPLs until the end of 2011, supported by parent companies that boosted their local banks' capital according to the latest stress test by the National Bank of Romania.

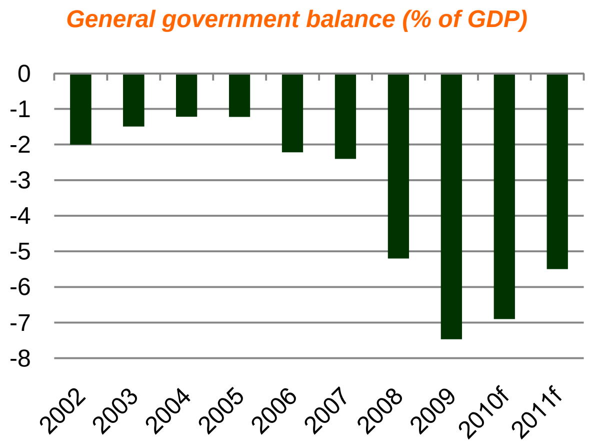
According to the EIU, GDP will contract by -1.2% this year and increase by 3.4% next year as the impact of private sector restructuring should diminish, turning the country slowly back to its long-term growth potential.

Main macro indicators



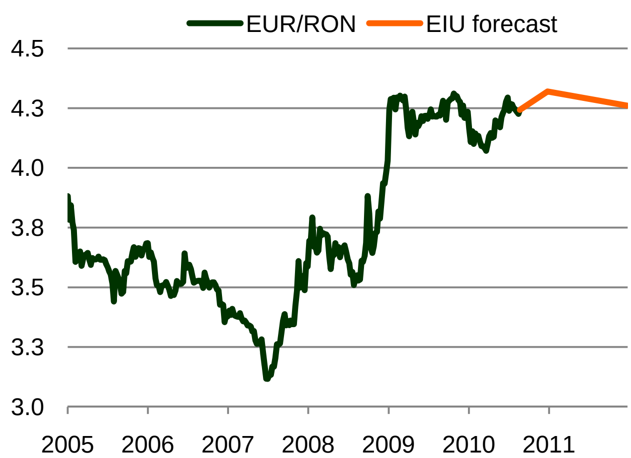


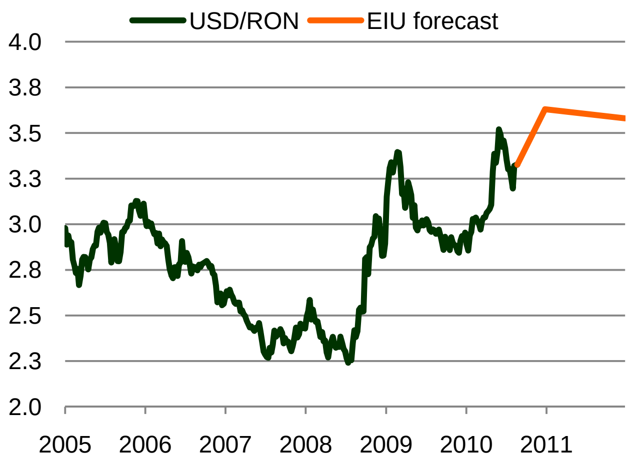




Source: E.I.U., Wood & Company

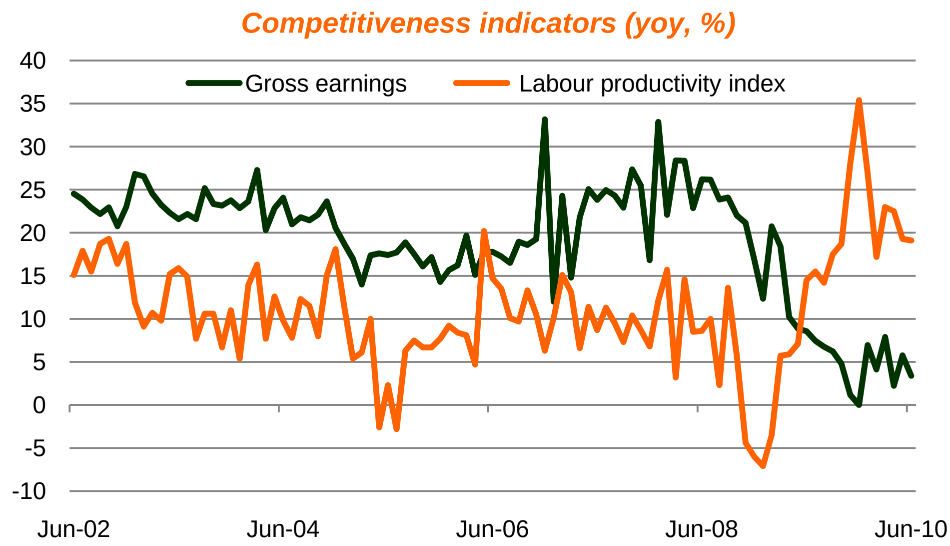
Romanian lei – foreign exchange forecast

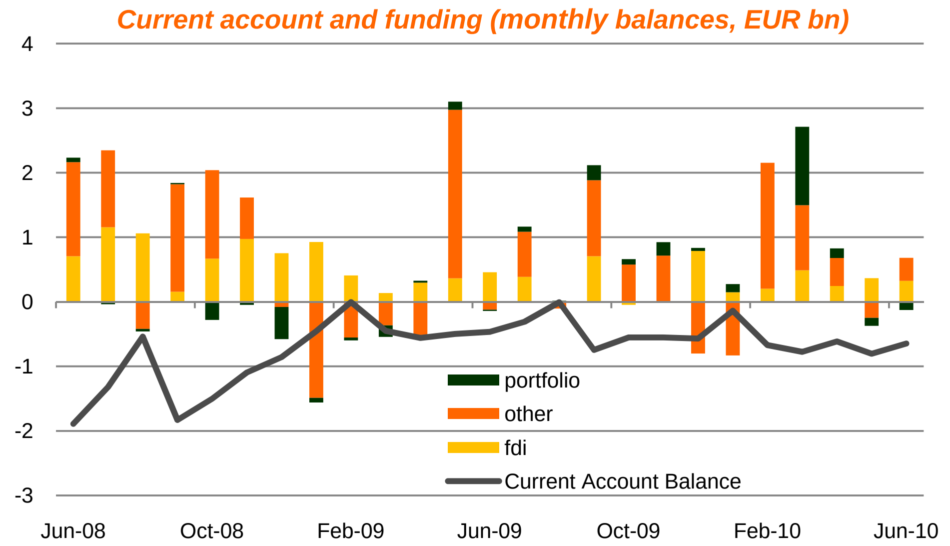




Source: CEIC, IMF, Wood research

Productivity and funding for CAD





Source: CEIC, Wood & Company

Important disclosures

IMPORTANT DISCLOSURES

The Company hereby informs that if a specific investment recommendation does not contain all information required by the relevant legislation (i.e. Public Notice 114/2006 Coll. on the honest presentation of investment recommendations), then such information is freely available on the website of WOOD & Company Financial Services, a.s. at http://www.wood.cz/home/services/capital-markets/public-notice-1142006-coll.html. The Company recommends that the recipients of this announcement thoroughly review the appropriate sections of its website.

The Company issued Fondul Proprietatea Warrant ISIN CZ0170000009 according to laws of the Czech Republic, which are listed and traded on third market of Vienna Stock Exchange, also called "Multilateral Trading Facility". The Company acquires shares in Fondul Proprietatea as a coverage for issued Warrants. As a result, by the date of publishing of the report the Company had in its ownership shares in Fonful Proprietatea corresponding to approximately 2.7% of total shares outstanding. All economical benefits as well as risks are transferred to Warrant holders.

VALUATION & RISKS

The main risk of the investment are related to uncertainty associated with the valuation of unlisted component of the Fund's portfolio as well as future decisions of the state as majority shareholder of the Fund which might be driven by political as well as social aspects of the Fund.

For details of the methodologies used to determine our price targets and risks related to the achievement of the targets refer to main body of report or at http://www.wood.cz/home/services/capital-markets/public-notice-1142006-coll.html.

SECURITIES PRICES

Prices are taken as of the 3rd of September 2010 on the home market unless otherwise stated.

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WOOD & Company Financial Services, a.s. manages conflict of interest arising as a result of the preparation and publication of research through its use of internal databases, notifications by the relevant employees and Chinese Walls as monitored by Compliance. For further details see our websites at http://www.wood.cz/home/services/capital-markets/public-notice-1142006-coll.html.

CONTACTS

Czech Republic
Namesti Republiky 1079/1a
Palladium
110 00 Praha 1
Czech Republic
Tel +420 222 096 111
Fax +420 222 096 222
www.wood.cz

Poland
GPW, Ksiazeca 4
00 498 Warszawa
Poland
Tel +48 22 537 7211
Fax +48 22 537 7215

UK
Berkeley Square House
Berkeley Square
London W1J 6BU
Tel +44 20 718 21 876

Andrea Ferancova
Director of Equities
+420 222 096 243
andrea.ferancova@wood.cz

Bloomberg page
WUCO

Research

Head of Research
Mark Robinson
+44 20 7182 1885
mark.robinson@wood.com

Banks/Media
Dariusz Gorski
+48 22 537 7220
dariusz.gorski@wood.cz

Strategy
Carsten Hesse
+44 20 7182 1873
carsten.hesse@wood.com

Real Estate/Telecoms
Igor Muller
+420 222 096 365
igor.muller@wood.cz

Utility/Commodity
Jan Tomanik
+420 222 096 402
jan.tomanik@wood.cz

IT/Telecoms/Construction
Konrad Ksiezopolski
+48 22 537 7219
konrad.ksiezopolski@wood.cz

Chemicals/Retail
Barbara Zaleska
+48 22 537 7219
barbara.zaleska@wood.cz

Romania/Pharma
Ovidiu Fer
+420 222 096 270
ovidiu.fer@wood.cz

Poland/Developers
Joanna Wanczuk
+48 22 537 7220
Joanna.wanczuk@wood.cz

Sales

Peter Kaineder
+44 20 7182 1878
peter.kaineder@wood.com

Sebastian Siejko
+48 22 537 7132
sebastian.siejko@wood.com

Wojciech Zelechowski
+48 22 537 7211
wojciech.zelechowski@wood.com

Jan Jandak
+420 222 096 363
jan.jandak@wood.cz

Kristen Andrasko
+420 222 096 253
kristen.andrasko@wood.cz

Anna Lagowska
+48 22 537 7191
anna.lagowska@wood.com

Igor Szczepaniec
+420 222 096 363
igor.szczepaniec@wood.cz

Michal Sergejev
+420 222 096 362
michal.sergejev@wood.cz

Grzegorz Skowronski
+48 22 537 7337
grzegorz.skowronski@wood.com

Rupert Wood
+44 20 7182 1877
rupert.wood@wood.com

Trading and Execution Services (+420 224 236 065)

Jan Pavlik
+420 222 096 242
jan.pavlik@wood.cz

Milan Prochazka
+420 222 096 237
milan.prochazka@wood.cz

Vladimir Vavra
+420 222 096 397
vladimir.vavra@wood.cz

Zuzana Hronska
+420 222 096 283
zuzana.hronska@wood.cz

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