

2010 Romanian Capital Market

Overview



Intercapital Invest • 33 Aviatorilor Blvd., 1st Floor Sector 1, Bucharest
+4021 222 8731, +4021 222 8744 • www.intercapital.ro • office@intercapital.ro

Notes

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All figures and returns in this document, are shown/calculated in RON except where explicitly noted otherwise. Average annual exchange rates were used for converting yearly figures.

Romania and its Capital Market – General Overview

Romania is located in the Eastern part of Europe, with opening to the Black Sea and crossed by the Danube river, stretching over a surface of 237,500 sqkm. Its population reaches 22.0 Million inhabitants. The capital city is Bucharest and the country is divided into 41 regional districts.

The month of December 1989 saw the fall of the communist regime previously running the country. Romania joined the European Union on January 1st, 2007, having aligned its legal and institutional framework to European standards.

The Gross Domestic Product estimated for 2010 amounts to EUR 191 Billion (PPP) and EUR 114 Billion in nominal terms (according to official exchange rates; for 2009). The GDP value per capita is EUR 8,681 (PPP, 2010 estimate); 51% of the GDP is generated by services, 36% by industrial activities, while agriculture accounts for 13% (2009 estimates). Exports reached EUR 39 Billion in 2010, while imports reached EUR 45 Billion. The country's total external debt was EUR 82 Billion (2010 estimate). The inflation rate for 2010 was 6.1%. Historical inflation rates and economy statistics for Romania are available on the web page of the Romanian National Statistics Institute, www.insse.ro.

Additional information on Romania is presented on the official web pages of the Romanian Government, www.gov.ro, Romanian Senate, www.senat.ro and the Romanian Chamber of Deputies, www.cdep.ro. The latter includes a section called Legislative Survey, outlining the key items of Romanian law (available in English).

The national currency is the leu (RON). RON came to replace ROL in 2005 following the leu's denomination (1 RON = 10,000 ROL). The RON/EUR exchange rate at end December 2010 was 4.28, compared to RON 4.23 for 1 EUR in December 2009, RON 3.99 for 1 EUR in December 2008 and RON 3.61 for 1 EUR in 2007. The RON/USD exchange rate at the end of 2010 was 3.20, compared to RON 2.94 in 2009, 2.83 in 2008 and 2.46 in 2007.

The country's central banking authority is the National Bank of Romania, www.bnr.ro, which also regulates leasing companies and other types of non-banking credit institutions. The insurance market in Romania is supervised and regulated by the Insurance Supervision Commission, CSA, www.csa-isc.ro. Pension funds are regulated by the Private Pension System Supervision Commission, CSSPP, www.csspp.ro.

The Capital Market in Romania is regulated and supervised by the (Romanian) National Securities Commission, CNVM, www.cnvmr.ro, an autonomous administrative entity subordinated to the Romanian Parliament. The capital market law is Law 297/2004 available in English on the cnvmr.ro web page. There are two securities market operators in Romania: the Bucharest Stock Exchange (BVB or BSE), which currently trades stocks, bonds, fund units, structured products, rights and futures contracts, and the Sibex, which trades stocks, rights and derivatives (futures, options and CFD contracts).

The Bucharest Stock Exchange (BSE, www.bvb.ro), operates three spot markets: a regulated, a market called Rasdaq and an Alternative Trading System. BSE lists some of the most important companies in Romania on its regulated market, including the largest oil & gas company in CEE (OMV Petrom), the second largest bank in Romania (BRD – Groupe Societe Generale), the national electricity and natural gas transport companies (Transelectrica and Transgaz), one of the largest real estate developers (Impact Developer & Contractor), five closed-end investment funds established following the Mass Privatization Program in Romania (called SIFs) and the Exchange's own shares. The main equity market lists one notable foreign issuer (Erste Bank Austria).

BSE also trades issues of government, corporate and municipal bonds, including an issue of bonds in RON launched on the local market by the European Investment Bank. Clearing and settlement of securities trades is done by the Central Depository, www.depozitarulcentral.ro. Clearing of derivatives trading is performed by the Bucharest Clearing House, CCB, www.ccbuc.ro.

Romania's second market operator is Sibex (www.sibex.ro). Main trading on the exchange is carried out with derivatives, namely futures, options and CFD contracts on stocks, indexes, gold, exchange rates, interest rates and EUA credits. Sibex recently

launched an equity market, which trades the Exchange's own shares, and an alternative trading system. Clearing of derivatives trading at BMFMS is performed by the Romanian Clearing House, CRC, www.bmfms.ro, while settlement of trades on the spot market is by Depozitarul Sibex.

The National Securities Commission was established in 1994, while the Bucharest Stock Exchange resumed activities in 1995 (the institution had been operating prior to the set-up of the communist regime in 1945). The first years of the modern Romanian capital market (1994-1996) were years of institutional and legal construction. In 1995 Romania carried out a Mass Privatization Program whereby shares in Romanian state-owned companies were distributed free of charge to all Romanian citizens aged 18 and above at that time. Rasdaq was established in 1996 as an electronic OTC system for trading these shares, and merged with BSE in 2005.

1997 brought a boost in volumes and prices of Romanian shares, based on a massive inflow of funds from foreign investors, and on high expectations regarding future development of the economy subsequent to 1996 elections. As these expectations weren't fully met, and regional crises hit Southeast Asia and Russia, volumes and prices on the BSE went down in the second half of the year, a trend that continued in full force in the following years (1998-2000).

Economic conditions in Romania reached a turning point in 2000, and the Romanian economy started to experience steady and visible progress. This context was perceived as favorable by both foreign and domestic investors, and the general downward trend of the market was reversed. Prices of Romanian shares increased steadily between 2001 and 2004. 2005, 2006 and 2007 continued to bring positive average returns on the market; however, volatility levels exceeding those of previous years were experienced and the Romanian market started correlating strongly with more developed markets (as the influence of foreign investors increased).

In 2008 Romania joined the ranks of markets hit by the financial crisis, with steep declines in stock prices and volumes, while 2009 saw a sharp rebound and 2010 was mostly flat.

Bucharest Stock Exchange: The regulated market for stocks and fund units

For the Romanian Market 2010 was a year of stagnation after the steep plunge taken in 2008 and the partial bounce-back in 2009. The chart of the Bucharest Stock Exchange's main index, BET, in the past four years is presented below:



The BET index (based on the ten most important shares listed on the BSE's regulated market) closed 2010 with a modest increase of 12.3%; similarly, the BET-C composite index advanced 14.6%, whereas the index of the five financial investment companies (closed-end listed funds called SIFs), the BET-FI, lost 8.0%; the BET-XT (calculated on the basis of the most important 25 listed companies) inched up just 1.9% in 2010, whereas the BET-NG index of the energy sector closed the year 29.5% higher. The value of equity trades on the BSE regulated market was slightly up from 2009, increasing 10%.

There were distinct trends throughout 2010 for BSE-listed stocks. In the first three months the BET kept to the upward trend that had set in the year before, advancing 27.2% from the end of 2009. In the next three months, BSE-listed shares started moving downwards, wiping off the growth registered in Q1 by June; the variation of the BET in the first six months of 2010 was just +1.1%. After increasing in prices slightly in July, all BSE-listed shares performed surprisingly stable in the past five months of the year, although foreign markets climbed throughout this period.

The cumulative return of the BET index in the past three years (2008-2010) stays at a negative -46.4%.

The BET-C and BET-FI performed similarly to the BET, following the same stages described before:

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Unlike previous years, there was a weaker correlation of the Romanian market with markets in the region (PX, WIG and BUX are the official indices of the stock exchanges of the Czech Republic, Poland and Hungary, respectively):



In 2010, correlation coefficients between the BET and the WIG, PX and BUX were 0.16, 0.67 and 0.74, respectively, compared to 0.97, 0.99, and 0.98, respectively, in 2009. The correlation between the local market with developed markets weakened accordingly: the correlation coefficient between the BET and the U.S. S&P500 index was 0.49 in 2010, compared to 0.98 in 2009 and 0.94 in 2008.

The above coefficients show that, in 2010, local factors progressively gained ground against external factors – the exclusive trend makers in previous years – in influencing the performance of shares listed on the BSE. As an effect of Romania's below-expectations economic performance, the wait-and-see strategy was widespread approach among non-resident investors – with local investors then adopting it to a considerable extent as well. This had a significant impact on liquidity: the daily average value of stock trades on the BSE regulated market was RON 13.2 million in Q4 2010, down by over 50% from the RON 29.9 million registered in the first six months of the year.

The volatility of the BET index, computed as standard deviation of daily returns, was 1.89% in 2010, down from 2.58% in 2009 and 2.68% in 2008, but comparable with the 1.41%; 1.36% and 1.99% recorded in 2007, 2006, and 2005, respectively. In the last six months of 2010, volatility was just 0.98%.

Stable prices also reflected in the stability of valuation multiples for BSE-listed issuers. The market's average P/E index dipped slightly to 15.3 at the end of 2010, from 16.8 in 2009 and 7.3 in 2008 (the values are calculated as the average P/E of all the issuers listed at the end of the year, taking into account profits over the last four quarters ended in Sep. 2010, only for profit-making issuers; extreme values above 50 were not taken into account). For a comparison, the values in the years prior to the crisis were 22.0 in 2007, 18.5 in 2006 and 15.8 in 2005.

The same P/E average multiple, calculated only for BSE tier I shares, scored 16.01 compared to 19.7 in 2009, 4.1 in 2008, 23.6 in 2007 and 23.7 in 2006.

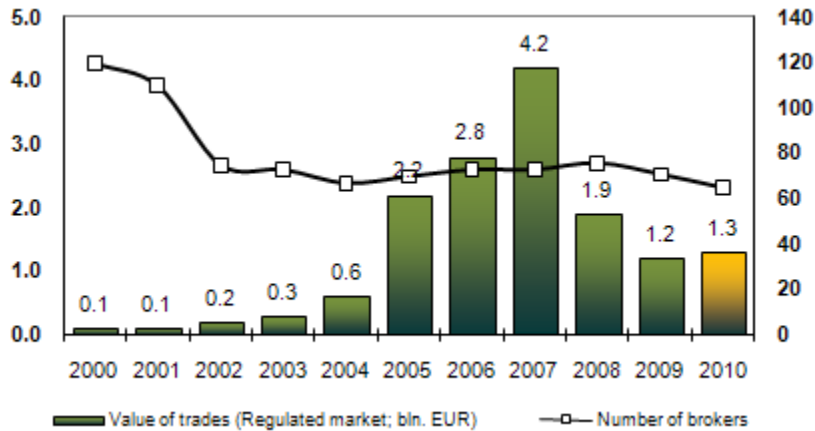
The market's average P/B index for 2010 was 0.77 compared to 0.74 in 2009 and 0.58 in 2008 (according to the results posted in Q3 2010; the companies with negative equity were not taken into consideration); the value for tier I issuers was 1.03, compared to 0.95 in 2009 and 0.58 in 2008.

A number of 21 BSE-listed companies paid cash dividends in 2010 (based on 2009 profits), compared to 24 companies that paid dividends in 2009, 20 in 2008, 20 in 2007, 18 in 2006 and 21 in 2005. Of the 21 dividend-paying companies in 2010, 10 were listed on Stock Exchange tier I, 10 on tier II and one at the international category (Erste Bank).

Dividend yields were far from spectacular. SIF Oltenia (SIF5) posted a 10.6% yield, followed by Aerostar Bacau (ARS) with 9.6%, Casa de Bucovina Club de Munte (BCM) with 8.3%, Bermas Suceava (BRM) with 7.8%, National Gas Transportation Company SNTGN Transgaz (TGN) with 7.0%, Alro Slatina (ALR) with 6.4% and the Orsova Shipyard with 5.95%. All the other dividend-paying companies had yields of less than

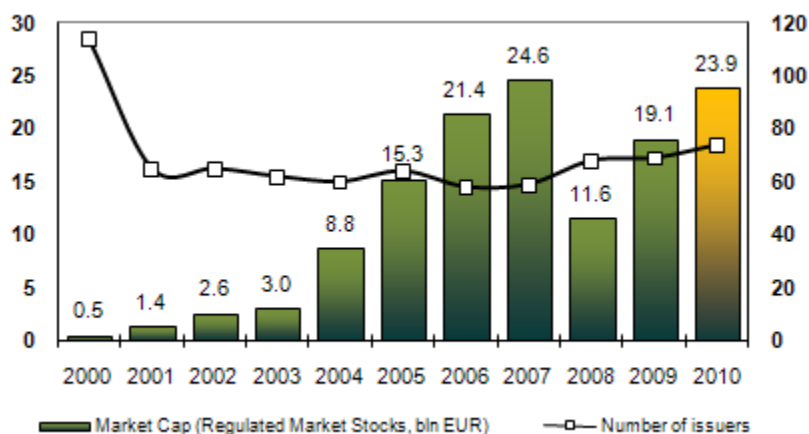
5% (dividend yields were computed as the ratio of the net dividend paid in 2010 to the price per share at the end of 2009). Only few cash capital increase procedures generated profits for investors; they were carried out by Banca Transilvania (TLV), Boromir Prod Buzau (SPCU), Cemacon Zalau (CEON), Condmag (COMI) and Uztel (UZT). Last year also witnessed the comeback of capital increase procedures through free-share allocations (which were absent in 2009), carried out by Antibiotice Iasi (ATB), Banca Transilvania (TLV), Vrancart Adjud (VNC), Transilvania Constructii (COTR), Contor Grup Arad (CGC) and HoReCa operator Turism, Hoteluri, Restaurante Marea Neagra (EFO).

Liquidity further kept within modest parameters in 2010. The value of stock trades on the regulated market increased slightly to RON 5.6 billion (EUR 1.34 Billion), from RON 5.1 billion in 2009 (EUR 1.20 Billion), a 10.0% increase. However, in 2010 liquidity remained very low compared with previous years, standing 19.4% below the figure recorded in 2008, 59.4% beneath the 2007 level, 43.4% below the one recorded in 2006 and 28.3% lower compared with 2005. The number of trades was 32.3% down in 2010 from the year before, whereas the number of traded shares was 7.6% less than in 2009. The daily average value of stock trades on the BSE regulated market, at RON 22.0 Million (EUR 5.2 Million), is in line with that registered in mid-2005.



At the end of 2010, the number of authorized brokers (brokerage companies (SSIF) and credit institutions) fell to 65 from 71 in 2009, 76 in 2008, 73 in both 2007 and 2006, and 70 in 2005.

The capitalization of the BSE regulated market was RON 102.4 billion at the end of 2010 (EUR 23.9 billion), out of which the capitalization of the only listed foreign issuer, Erste Bank Group (EBS), was RON 57.6 billion (13.7 billion):



Trades with fund units on the BSE regulated market amounted to RON 22.7 million (EUR 7.1 million) in 2010, as to RON 20.5 million in 2009 (EUR 4.9 million) and RON 26.1 million in 2008 (EUR 5.4 million).

Just three initial public offerings (IPO) were carried out in 2010 on the Romanian Market. The offerings of funds iFond Financial Romania and iFond Gold, both distributed by Intercapital Invest, closed successfully, whereas the offering of company Hidraulica Plopeni received a modest amount of subscriptions:

Ticker	Company name	Activity	Period	Issue value (RON)	Subscription rate	Allocation value (RON)
IFR	iFond Financial Romania	Investment fund	22.07.2010-11.08.2010	2,020,000	404.5%	8,080,000
IFG	iFond Gold	Investment fund	09.11.2010-29.11.2010	2,020,000	200.6%	4,051,312
HPR	Hidraulica Uzina Mecanica Plopeni	Industrial plant	12.11.2010-03.12.2010	10,670,000-12,125,000	0.04%	4,180

iFond Financial Romania (IFR) is a financial sector investment fund established with the purpose of providing investors a vehicle to invest in Fondul Proprietatea prior to the latter's listing on the BSE (Fondul Proprietatea is a large investment fund set up by the Romanian State to compensate persons whose property was seized by the former Communist Regime). Subscriptions received for the public offering of iFond Financial were more than fourfold the initial value put up for sale; after the closing of the offering, the fund invested 50% of its assets in Fondul Proprietatea shares and 50% in listed financial issuers: the five Financial Investment Companies (Romanian closed-end investment funds called SIF's), the shares issued by the two listed Romanian exchange operators (the Bucharest Stock Exchange and Sibex), banking shares issued by BRD - Groupe Societe Generale and Banca Transilvania. BSE trades with iFond Financial

began on September 22, 2010 under the ticker IFR. The fund closed the year at a price of RON 249.80/fund unit, up 23.7% from the IPO price.

iFond Gold (IFG) is a fund specializing in gold mining companies, which offers investors indirect access to Romania's gold projects at Rosia Montana (by investing 40% of the fund's assets in the company owning the project) and Certej (with 20% of the fund's assets), as well as to other gold mining projects across the globe. All the companies the fund has invested in are listed on the Toronto Stock Exchange. Subscriptions received for the fund's public offering were two-fold the initial amount put up for sale. BSE trades with iFond Gold fund units began on the last trading session of the year, on December 30, 2010, when they registered a price of RON 212.00 / fund unit, up 5.0% against the IPO price.

Both funds are managed by Intercapital Investment Management, the fund management division of Intercapital Invest. Intercapital Invest acted as a distributor of the two funds' offerings, after having distributed the year before the only initial public offerings conducted on the market in 2009, those of the funds OTP WiseRO and OTP Green Energy.

Hidraulica Uzina Mecanica Plopeni (HPR) launched the first company IPO on the Romanian capital market in the past two years and a half. The company is Romania's most important pump and hydraulic equipment producer. Although the HPR public offering raised only RON 4,180 (EUR 993, 0.04% of the value put up for sale), it was considered successfully closed, because there was no minimum subscription amount set forth in the offering prospectus as success criterion. By the end of 2010 the company had not been admitted to BSE trading.

Another event last year, apart from the listing of the funds iFond Financial and iFond Gold (which carried out initial public offerings in 2010) and the listing of the fund OTP Green Energy, which conducted an IPO in late 2009, was the admission of five companies to trading on the BSE spot regulated market.

The most important was the self-listing of the Bucharest Stock Exchange (BSE). The BSE got self-listed on tier II of its own regulated trading market on the basis of an admission to trading prospectus without an initial public offering, and with Intercapital Invest acting again as manager. The BSE self-listing was a success, with the shares landing the 4th position by the liquidity registered since the moment of the listing, 52.4% of the total issued stock changing hands and the price rising 66.3% over the seven months of trading.

The other four issuers admitted to trading on the BSE regulated market were actually transferred from the Rasdaq as follows: drug distributor Ropharma Brasov (RPH) and producer of precast concrete elements Prefab Bucharest (PREH) got listed on tier I of the regulated market, whereas brick and tile manufacturer Cemacon Zalau (CEON) and home appliance producer Electroarges Curtea de Arges (ELGS) were admitted to tier II.

There was no delisting from the regulated market in 2010, yet two listed companies idled all year round with no trading: Flamingo International (FLA) – which is being subject to an insolvency procedure, and MJ Maillis (MJM) – for lack of buy orders on the market.

We further present the individual performance of all issuers listed on the spot regulated market of the Bucharest Stock Exchange. For each issuer we calculated total returns, representing returns from price variations, dividends and share capital procedures (only equity increases or cash increases for which shares were offered prices lower than market prices). For companies that got listed in 2010, the initial price is the closing price at the end of the first trading day on the BSE regulated market, and possible operations related to the share capital or dividend distribution are taken in consideration only if the investors could have collected such benefits after the company's listing on the regulated stock exchange market.

All prices and returns in RON. The EUR/RON exchange rate for December 31, 2009 was 4.2282, while the rate for December 31, 2010 was 4.2848. The average EUR/RON rate for 2009 was 4.2373, while the average for 2010 was 4.2099.

We start with the listing of the performance of the issuers on the BSE tier I:

Ticker	Last price in 2009 (RON)	Last price in 2010 (RON)	2009 Net dividend paid in 2010 (RON)	Total return (in RON)	Notes
SOCP	0.1450	0.3700	0.0000	+155.2%	-
TGN	157.0000	280.0000	10.9400	+85.3%	-
AZO	0.2810	0.4800	0.0000	+70.8%	-
BRK	0.2030	0.2900	0.0000	+52.9%	Face value reduction from 0.5000 RON/share to 0.2500 RON/share, and cash distribution of 0.0203 RON/share due to share capital reduction
TEL	13.5000	19.3500	0.0420	+43.6%	-
SNP	0.2490	0.3350	0.0000	+34.5%	-
ALR	2.4800	2.9900	0.1575	+26.9%	-
TBM	0.0860	0.0945	0.0000	+9.9%	-
SIF5	1.2700	1.2600	0.1344	+9.8%	-
SIF2	1.1400	1.1620	0.0504	+6.4%	-
ATB	0.6300	0.6200	0.0000	+3.3%	Share capital increase, 5 free shares

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					allocated for each 100 owned
BIO	0.2010	0.2050	0.0000	+2.0%	-
BRD	13.0000	12.3500	0.2347	-3.2%	-
SIF4	0.7100	0.6440	0.0336	-4.6%	-
SIF1	1.1300	1.0140	0.0420	-6.5%	-
OIL	0.2400	0.2210	0.0005	-7.7%	-
OLT	0.2300	0.2030	0.0000	-11.7%	-
RPH*	1.2900	1.1000	0.0000	-14.7%	Listing in 2010 by transfer from the Rasdaq market
SIF3	0.6800	0.5435	0.0252	-16.4%	-
PREH*	2.2800	1.9000	0.0000	-16.7%	Listing in 2010 by transfer from the Rasdaq market
BCC	0.0990	0.0800	0.0000	-19.2%	-
TLV	2.1300	1.2280	0.0000	-25.4%	Share capital increase, 25 free shares allocated for each 100 owned and 11.05 shares at 1 RON/share for 100 owned
IMP	0.7050	0.4701	0.0000	-33.3%	-

* return is calculated against the closing price at the end of the first trading day on the BSE regulated market, and not against the Rasdaq price.

With few exceptions, companies listed on BSE tier I performed modestly. The average of total returns of the shares on BSE tier I was +14.8%, but the median was just +2.0% (the average was influenced heavily by the best three performers). For comparison, in 2009 the average of tier I total returns was +68.8%. Only six of the 23 companies traded on tier I of the regulated market had a noteworthy performance in 2010, with total returns above 30%. Of these, port operator Socep Constanta (SOCP) closed the year with a total return of +155.2%, the best performance on the stock exchange regulated market. This was the result of large trades with company shares aimed at consolidating some of the shareholders' stakes; as much as 32.9% of the total number of shares issued by Socep changed hands in 2010.

SNTGN Transgaz (TGN) came second in the tier I performance ranking (and actually in the overall ranking of the regulated stock market), with a total return of +85.3%. With a 50% growth in profit in the first nine months of 2010 compared to first nine months of 2009, a 24% increase in the annual dividend, an end-of-year closing price by 45.9% higher than that of the initial public offering carried out in December 2007, and which was practically identical to the all-time peak hit at trading start in January 2008, the national gas transportation company can be considered the star of BSE in 2010.

Fertilizer producer Azomures Tg. Mures (AZO) landed the third position among tier I performers, with a total return of +70.8%, as an effect of the 67% growth in total revenues and a 14-fold increase in the three-quarter net profit in 2010 against the first 9 months of the previous year. Other issuers to perform well on tier I were the only listed brokerage company - SSIF Broker Cluj (BRK), with a total return of +42.9% in 2010, and

national electricity transportation company CNTEE Transelectrica (TEL), with +43.6%. National oil operator OMV Petrom (SNP) had a total return of +26.9%.

The year's disappointments for stock exchange investors were the five Financial Investment Companies (local closed-end funds called SIFs), which closed the year with total returns ranging between -14.7% for SIF Transilvania (SIF3) and +9.8% for SIF Oltenia (SIF5). Foot-dragging in making a decision on the rise of the SIF ownership cap of 1.00% and the mixed evolution of listed companies in their portfolios had a negative impact on the performance on the stock exchange of the 5 Financial Investment Companies. The largest listed bank, BRD - Groupe Societe Generale (BRD) also had a weak performance, with just -3.2% as total return, whereas market stars of former years Banca Transilvania (TLV) and Impact Developer & Contractor (IMP) now stand at the bottom of the ranking with total returns of -25.4% and -33.3%, respectively, in 2010.

Performance of shares listed on tier II of the BSE regulated market are shown in the next table:

Ticker	Last price in 2009 (RON)	Last price in 2010 (RON)	2009 Net dividend paid in 2010 (RON)	Total return (in RON)	Notes
ARS	0.5950	1.0100	0.0571	+79.3%	-
BVB	24.5000	40.7500	0.0000	+66.3%	Listing in 2010 based on a prospectus for admission to trading
CMP	0.2900	0.4270	0.0000	+47.2%	-
SCD	0.6850	1.0000	0.0000	+46.0%	-
COS	1.7200	2.4500	0.0000	+42.4%	-
BRM	0.5950	0.7850	0.0462	+39.7%	-
ALT	0.0300	0.0405	0.0000	+35.0%	-
ZIM	0.9100	1.2200	0.0000	+34.1%	-
UAM	0.3920	0.5200	0.0000	+32.7%	-
RMAH	0.1570	0.2010	0.0025	+29.6%	-
APC	0.5500	0.6995	0.0000	+27.2%	-
VNC	0.0670	0.0740	0.0000	+26.3%	Share capital increase with allocation of 14.39 free shares for every 100 shares owned.
BCM	0.0700	0.0820	0.0058	+25.4%	-
DAFR	0.1020	0.1239	0.0000	+21.5%	-
COTR	37.0000	33.1000	0.0000	+19.3%	Share capital increase with 1 free share allocated for three owned
CBC	2.7500	3.1000	0.0000	+12.7%	-
CGC	0.0789	0.0700	0.0000	+10.9%	Share capital increase with 25 free shares allocated to 100 owned
SPCU	0.4250	0.2800	0.0068	+6.7%	Share capital increase with 1 share at 0.1 RON for each share owned
CMCM	0.3490	0.3630	0.0000	+4.0%	-

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COMI	0.6800	0.4590	0.0000	+2.5%	Share capital increase with 66.66 at 0.1 RON/share for 100 shares owned.
ELJ	0.1450	0.1469	0.0000	+1.3%	-
FLA	0.0185	0.0185	0.0000	0.0%	Listed but not traded
MJM	2.4000	2.4000	0.0000	0.0%	Listed but not traded
EFO	0.4390	0.1460	0.0000	-0.2%	Share capital increase with 2 free shares allocated for each 1 share owned.
ECT	0.0314	0.0313	0.0000	-0.3%	-
CEON*	0.1130	0.1089	0.0000	-1.7%	Listing in 2010 by transfer from Rasdaq. Share capital increase with 20 shares at 0.1 RON/share for each 100 shares owned.
PEI	20.0000	19.4000	0.0000	-3.0%	-
ARM	0.1410	0.1297	0.0000	-8.0%	-
VESY	0.0747	0.0685	0.0000	-8.3%	-
RRC	0.0630	0.0575	0.0000	-8.7%	-
ART	1.8000	1.6200	0.0000	-10.0%	-
ROCE	0.2720	0.2358	0.0012	-12.9%	-
ELGS*	1.1300	0.9790	0.0000	-13.4%	-
MECF	0.1050	0.0900	0.0000	-14.3%	-
SNO	5.6500	4.3800	0.3360	-16.5%	-
STZ	0.2900	0.2400	0.0000	-17.2%	-
MEF	0.8400	0.6950	0.0000	-17.3%	-
MPN	0.3500	0.2740	0.1050	-18.7%	-
TUFE	0.2200	0.1780	0.0000	-19.1%	-
PPL**	3.3000	1.3790	0.0000	-22.4%	Share capital reduction to 54.89 shares for each 100 shares owned, following split-up of company; shares allocated as a result in issuer Prodplast Imobiliare traded on Sibex ATS
PTR	0.4200	0.3130	0.0126	-22.5%	-
AMO	0.0186	0.0142	0.0000	-23.7%	-
CMF	2.3500	1.6600	0.0000	-29.4%	-
ALU	2.1500	1.4500	0.0672	-29.4%	-
TRP	0.6200	0.4200	0.0000	-32.3%	-
ENP	1.5600	0.9000	0.0000	-42.3%	-
UZT	4.4000	2.2500	0.0000	-44.3%	Share capital increase with 23.60 new shares at 2.5 RON/share for each 100 shares owned.
SRT	0.0327	0.0182	0.0000	-44.3%	-
EPT	0.1800	0.0939	0.0000	-47.8%	-

* return is calculated against the closing price at the end of the first trading day on the BSE regulated market, and not against the Rasdaq price.** total return includes shares allocated in Prodplast Imobiliare after split-up of company.

BSE's Tier II also witnessed modest performance overall. The average of total returns of Tier II issuers was +2.1% in 2010, whereas the median was -0.3%. For a comparison, the 2009 average was +34.3%.

Only 9 of the 49 companies listed in this category returned more than 30% in 2010. The best performing issuer on tier II was aviation equipment manufacturer Aerostar Bacau (ARS), which scored a total return of +79.3%, after having fared below average in 2009.

Second in the ranking of tier II returns was the Bucharest Stock Exchange itself, whose shares saw an increase of 66.3% in just seven months of trading, since the institution's self-listing in early June.

A number of industrial companies generated total returns in excess of +30%: the automotive components maker Compa Sibiu (CMP) with +47.2%, drugs manufacturer Zentiva Bucharest (SCD) with +46.0%, steel producer Mechel Targoviste (COS) with +42.4%, brewer Bermas Suceava (BRM) with +39.7%, as well as Altur Slatina (ALT, automotive components, +35.0%), Zimtub Zimnicea (ZIM, steel tubes, +34.1%) and UAMT Oradea (UAM, automotive components, +32.7%).

Another 12 companies generated total positive returns of less than +30%, two companies were not traded at all in 2010, while 26 generated negative returns for investors. The highest negative returns were those of companies Uztel Ploiesti (UZT), Siretul Pascani (SRT) and Electroputere Craiova (EPT), with total returns of -44.3%, -44.3%, and -47.8%, respectively.

One issuer was traded in 2010 on the third-tier of the regulated market:

Ticker	Last price in 2009 (RON)	Last price in 2010 (RON)	2009 Net dividend paid in 2010 (RON)	Total return (in RON)	Notes
UCM	0.3250	0.1720	0.0000	-47.1%	-

The same as in the previous years, the shares of just one issuer were traded at the international section of the stock exchange:

Ticker	Last price in 2009 (RON)	Last price in 2010 (RON)	2009 Net dividend paid in 2010 (RON)	Total return (in RON)	Notes
EBS	109.8000	152.1000	2.7298	+41.0%	-

There were three new entries on the investment fund segment, specifically OTP Green Energy (GRE), which conducted an initial public offering in late 2009, and funds iFond Financial Romania (IFR) and iFond Gold (IFG), both of which carried out initial public offerings in 2010. All the three listings were managed by Intercapital Invest:

Ticker	Last price in 2009 (RON)	Last price in 2010 (RON)	2009 Net dividend paid in 2010 (RON)	Total return (in RON)	Notes
STK	38.8000	46.9000	0.0000	+20.9%	-
IFR*	229.0000	249.8000	0.0000	+9.1%	Listed in 2010 following an IPO
IFG*	212.0000	212.0000	0.0000	0.0%	Listed in 2010 following an IPO
WRO	167.5000	165.7000	0.0000	-1.1%	-
GRE*	200.0000	166.0000	0.0000	-17.0%	Listed in 2010 following an IPO

* return is calculated against the closing price at the end of the first trading day on the BSE regulated market, and not against the IPO price

Below we computed TRX, an annual Total Return index Intercapital Invest calculates every year. The index shows the average return of issuers traded on Romanian regulated stock markets (companies and investment funds traded on the BSE regulated market, and the shares issued by Sibex SA, the sole issuer on the Sibex operated regulated market). The TRX accounts for price changes, dividends and all operations that affect the share capital (for capital increases only equity contributions and cash contributions with at prices below the market prices at the time of the increase were considered).

The index basket comprises all the issuers traded on the Romanian regulated markets throughout the year, each issuer being weighted with the end-of-year capitalization. The maximum weight of an issuer in the index is limited to 10%, and the return of each share is adjusted with the listing period for the shares listed/delisted during the year. The final TRX returns are adjusted with the inflation rate. In order to preserve the relevance of the index for the local market, the index does not take into account issuers listed on the international section of the BSE (there was just one such issuer in 2010, Erste Bank).

2010 TRX statistics are presented below (all figures in RON, except where noted otherwise):

2010

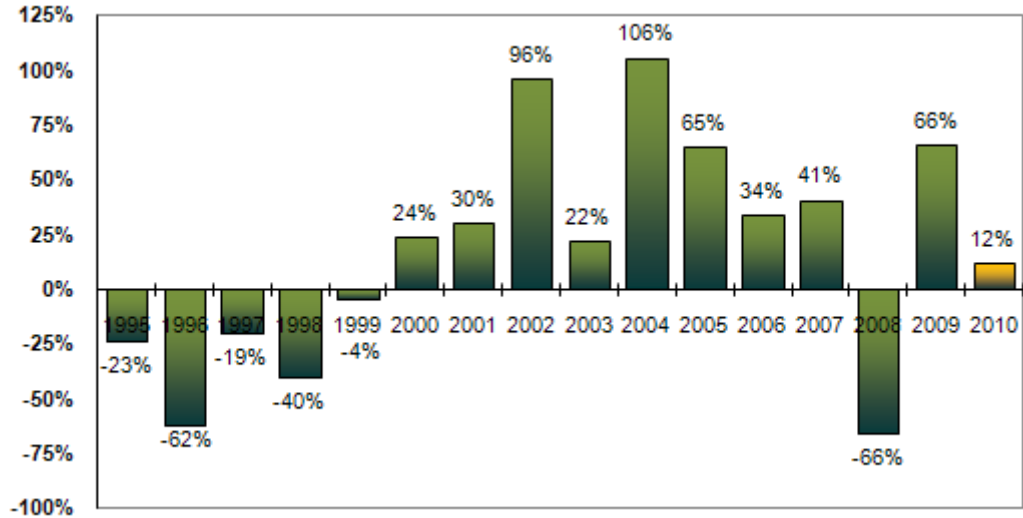
TRX: +12.31%

Average return from price changes:	+14.08%	BSE statistics	RON	EUR
Adjustment with dividends	+16.61%	BET index	61.68%	53.31%
Adjustment with capital operations	+18.69%	BET-C index	37.31%	30.20%
Adjustment by months of trading	+18.40%	BET-FI index	90.33%	80.48%
Inflation rate	6.09%	Equity Turnover	5,093 mil	1,204 mil
TRX adjusted with inflation rate	+12.31%	Number of issuers	73	
Maximum return from price	SOCP +155.17%	Number of brokers	71	
Maximum total return	SOCP +155.17%	Worst performance	EPT	-47.8%
		Largest share in market cap (except EBS)	SNP	42.24%

General market overview: 2010 was a flat year for BSE listed companies, after the plunge taken in 2008 and the partial bounce-back of 2009. There were mixed developments on the BSE, yet only few shares

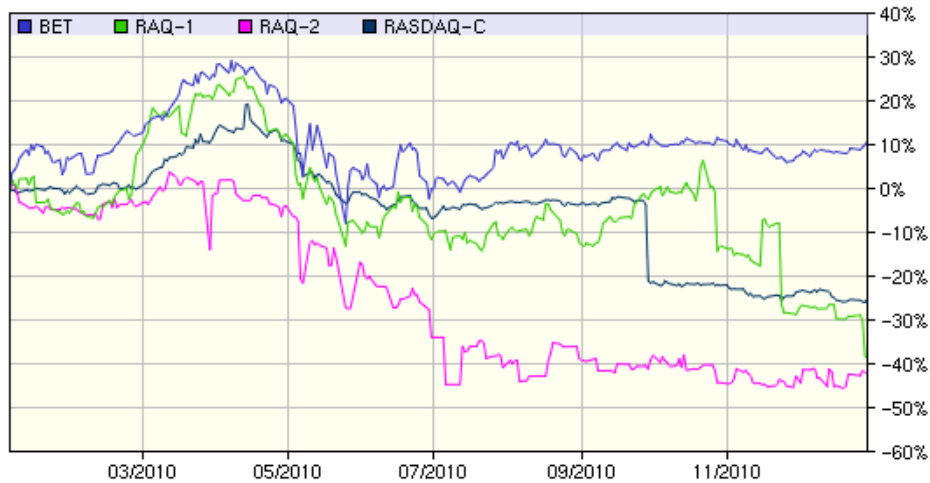
generated good returns in 2010.

The TRX computed above shows that of all the years when the index scored positive yields, 2010 generated the lowest returns to investors:



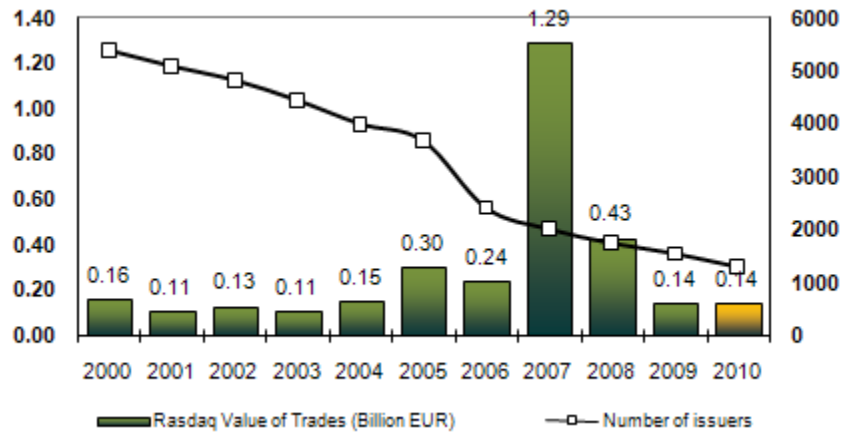
The Rasdaq market managed by the Bucharest Stock Exchange

The companies listed on the BSE-managed Rasdaq market witnessed an even weaker year than companies traded on the regulated market. The composite index of the market, the Rasdaq-C, recorded a return of -24.98% in 2010, which results in an aggregate return of -63.7% over the interval 2008-2010. Other market indices recorded even poorer results: the first-tier Rasdaq index, the RAQ-I, closed the year 2010 at -38.97%, while the second-tier Rasdaq index, the RAQ-II, closed at -44.34%:



Liquidity on Rasdaq kept very low, within limits comparable to the previous year. The value of trades stood at RON 605.1 Million in 2010 (EUR 143.7 Million), up just 5.0% from 2009 and accounting for only 10.8% of the value of trades on the regulated market in 2010 (a percentage that has been on a constant decline from 11.3% in 2009, 22.5% in 2008 and 30.8% in 2007).

The Rasdaq market capitalization dropped 12.2% in 2010 against 2009, from RON 12.3 billion (EUR 2.9 Billion) to RON 10.8 Billion (EUR 2.6 Billion), accounting for just 10.6% of the capitalization of the BSE regulated market in 2010, down from 15.1% in 2009.



At the end of 2010 there were 5 companies listed on the Rasdaq tier I (compared to 6 in 2009, 7 in 2008 and 9 in 2007), 9 on tier II (compared to 9 companies in 2009 and 2008, and 11 in 2007) and 1,295 companies on the basic tier (compared to 1,546 in 2009; 1,737 in 2008 and 1,999 in 2007).

The first-tier category comprised the following issuers: shirt producer Braiconf Braila (BRCR), manufacturer of electric and electro-technical equipment Electromagnetica Bucuresti (ELMA), pipes producer ArcelorMittal Tubular Products Roman (PTRO), the Severnav Drobeta-Turnu Severin (SEVE) shipyard, and oil equipment producer Upet Targoviste (UPET); the STX RO Offshore Braila (SNBB) shipyard was delisted in 2010.

Companies listed on the second tier of the market were as follows: Automatica Voluntari (AUTT), Comvex Constanta (CMVX), Constructii Feroviare Moldova (CONFM), Flaros Bucharest (FLAO), Ilef for Targu Mures (ILEF), Inox Magurele (INOX), Romportmet Galati (ROMT), Bega Tehnomet Timisoara (TEHO) and Unisem Bucharest (UNISEM).

Only one new listing took place in 2010 on the Rasdaq market, that of Fimaro Invest Cluj-Napoca (FIMI), a company resulted from the split-up of Decorint Cluj-Napoca (FIMB). A number of 252 issuers were delisted from the Rasdaq market in 2010. Some of the notable delisted companies were the following: Automobile Craiova (AUCS), Bere Azuga (BEGY), Bere Lichior Margineni (BELY), Casirom Turda (CASR), Dambovita Morarit si Panificatie Bucharest (DIMB), Mangalia (MANG), World Machinery Works Bacau (MAUN), Petrom Aviation Otopeni (ROFU), STX RO Offshore Braila (SNBB) and Viromet Victoria (VIRY).

By the value of 2010 trades, the most liquid Rasdaq issuers were: Prospectiuni Bucuresti (PRSN), Armax Gaz Medias (ARAX), Electromagnetica Bucharest (ELMA), Albalact (ALBZ), Concefa Sibiu (COFI), Electroarges Curtea de Arges (ELGS, prior to its transfer to the BSE regulated market), Lactate Natura Targoviste (INBO), Concordia 4 Bucuresti (COLI), Prodlacta Brasov (PRAE) and Comcereal Slatina (CCOL).

The top liquid Rasdaq issuers by the number of trades in 2010 were: Armax Gaz, Prospectiuni Bucharest, Imotrust Arad (ARCV), Electromagnetica Bucharest, Albalact, Concefa Sibiu, Comnord Bucharest (COSC), Iproeb Bistrita (IPRU), Arcelormittal Tubular Products Roman (PTRO), Prefab Bucharest (PREH, prior to its transfer to the BSE regulated market).

The Bucharest Stock Exchange bonds market

In 2010, there were no new public issues of corporate bonds in Romania. The only bond listed on the corporate section of the BSE bond market in 2010 remained those of the European Investment Bank and EBRD:

Ticker	Issuer	Category	Maturity	Issued Value (RON)	Coupon*	Price*
EIB14	European Investment Bank	International	05/2014	300,000,000	7.00%	101.00
EBRD19	European Bank for Reconstruction and Development	International	02/2019	130,000,000	11.25%	Not traded

* end-of-year values

A number of 133,580 EIB14 bonds were traded in 2010 for prices ranging between RON 99.01 and 102.00. No trades with EBRD19 bonds were executed in 2010 (this issue has never been traded on the BSE since listing).

A number of 9 government bond issues were traded in 2010 on the BSE out of a total of 18 listed in total :

Issue	Maturity	Issued Value (Million RON)	Coupon*	Price*
B1403A	03/2014	3,992.46	11.00%	110.55
B1210A	10/2012	4,474.37	11.25%	107.31
B1303A	03/2013	2,344.88	8.25%	102.42
B1110A	10/2011	3,152.50	8.00%	100.75
B1203A	03/2012	2,113.50	6.50%	99.31
B1706A	06/2017	1,538.10	6.75%	98.89
F1204A	04/2012	50.00	7.00%	98.12
B1307A	07/2013	998.72	6.25%	97.88
B1504A	04/2015	1,268.90	6.00%	95.67

* end-of-year values

2010 was a favorable year in terms of new listings of municipal bond issues. At the end of 2010, the number of traded issues was 35, compared to 31 in 2009, 20 in 2008, 16 in 2007 and 11 in 2006 (the number of issues is reported for the end of each year). The issues available for trading at the end of 2010 were the following:

Ticker	Issuer	Maturity	Issued Value (RON)	Coupon*	Price*
ALB25	Municipiul Alba Iulia	04/2025	8,000,000	7.50%	100.00
ALB25A	Municipiul Alba Iulia	04/2025	8,000,000	7.50%	100.00
ALB25B	Municipiul Alba Iulia	04/2025	8,500,000	7.50%	100.00
ALB26	Consiliul Judetean Alba	11/2026	50,000,000	7.32%	Not traded
ALB27	Municipiul Alba Iulia	11/2027	32,000,000	7.69%	Not traded
ANI20	Comuna Aninoasa	11/2020	3,000,000	7.84%	Not traded
BAC26	Municipiul Bacau	10/2026	35,000,000	7.67%	98.25
BAC26A	Municipiul Bacau	08/2026	35,000,000	7.96%	99.99
BAC26B	Municipiul Bacau	11/2026	40,000,000	7.96%	Not traded
BHR20	Orasul Baile Herculane	12/2020	3,150,000	7.50%	100.00
BIS29	Municipiul Bistrita	11/2029	35,000,000	7.16%	Not traded
EFO17	Primaria Eforie	12/2017	6,000,000	7.45%	99.99
FOC26	Municipiul Focsani	11/2026	28,000,000	7.27%	Not traded
HUE26	Cons. Judetean Hunedoara	02/2017	15,000,000	7.43%	100.00
HUE26A	Cons. Judetean Hunedoara	08/2026	13,500,000	7.43%	100.00
HUE26B	Cons. Judetean Hunedoara	08/2026	31,500,000	7.43%	100.00
IAS28	Municipiul Iasi	11/2028	100,000,000	7.48%	100.99
IAS28A	Municipiul Iasi	11/2028	100,000,000	7.41%	Not traded
LGJ14	Primaria Lugoj	09/2014	3,500,000	7.07%	100.00
NAV27	Municipiul Navodari	06/2009	4,500,000	8.34%	Not traded
ORS29	Municipiul Orastie	05/2029	12,500,000	7.83%	Not traded
ORV27	Orasul Oravita	06/2027	6,000,000	8.11%	100.00
PRD26	Orasul Predeal	06/2027	4,000,000	7.50%	100.00
SLB29	Municipiul Slobozia	08/2029	50,000,000	7.73%	Not traded

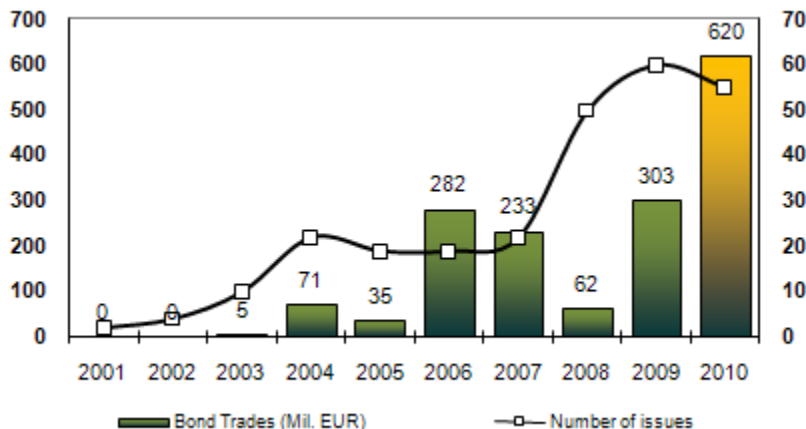
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SRE28	Orasul Siret	03/2028	4,000,000	7.49%	98.99
TEU20	Orasul Teius	11/2019	1,500,000	7.65%	100.00
TGM27	Municipiul Targu Mures	08/2027	20,000,000	7.18%	Not traded
TGM27A	Municipiul Targu Mures	08/2027	32,000,000	7.18%	Not traded
TIM11	Municipiul Timisoara	02/2011	20,000,000	8.25%	100.00
TIM26	Municipiul Timisoara	05/2017	30,000,000	6.53%	97.00
TIM26A	Municipiul Timisoara	05/2026	30,000,000	6.53%	100.00
TIM26B	Municipiul Timisoara	05/2026	30,000,000	6.53%	100.00
TIM26C	Municipiul Timisoara	05/2026	30,000,000	6.53%	95.00
TIM26D	Municipiul Timisoara	05/2026	30,000,000	6.53%	97.00
ZAL30	Municipiul Zalau	09/2030	64,300,000	7.66%	Not traded

* end-of-year values

The average annual interest rate of municipal bonds was 7.43% at end-2010, down from 10.78% at end-2009 and 15.5% at the end of 2008 (the rates in 2007 and 2006 were 9.8% and 8.1%, respectively).

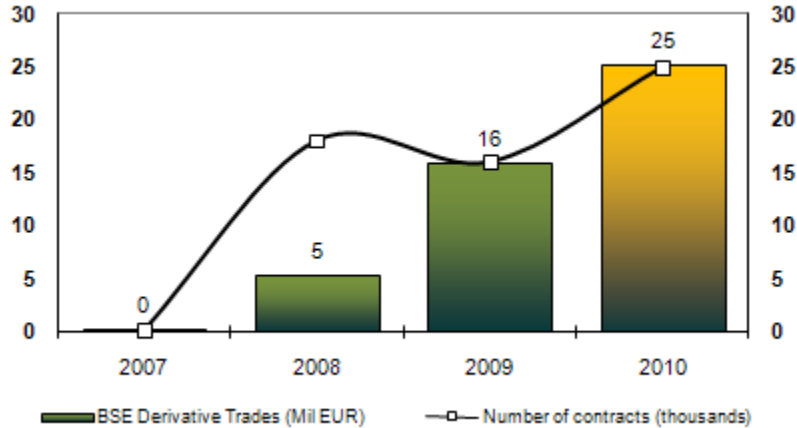
The value of bond trades on the BSE doubled in 2010 from the previous year: RON 2.57 billion (EUR 620 million) compared to RON 1.28 billion in 2009 (EUR 303 million). The value recorded in 2010 was a new historic high for the BSE bonds market. The same as in the year before, the increase was mainly the result of trades with government bonds:



A number of 23 brokerage companies executed bond trades on the BSE in 2010, compared to 30 in 2009, 24 in 2008 and 16 in 2007.

The BSE derivatives market and other markets and instruments on BSE

The value of trades with derivatives on the BSE continued on an ascending path in 2010, yet kept at a small level: RON 107.1 million (EUR 25.3 million), compared to RON 67.0 million (EUR 15.9 million) in 2009 and RON 19.3 million (EUR 5.3 million) in 2008:



By the end of 2010, trades were carried out on the BSE derivatives market with futures contracts on the BET and BET-FI indices; shares of Erste Bank, SIF Banat-Crisana, SIF Moldova, SIF Transilvania, SIF Muntenia, SIF Oltenia, OMV Petrom, Transelectrica, Transgaz and Banca Transilvania, and the EUR/RON and EUR/USD exchange rate spreads.

A number of 10 brokerage companies managed trades with derivatives on the BSE in 2010, compared to 12 in 2009, 15 in 2008 and 12 in 2007.

The Bucharest Stock Exchange opened in 2010 a new market for structured products (structured certificates). Trades with 12 issues of index-linked certificates and 9 knock-out certificates were being carried out on this market at the end of 2010. The issuers were banks Erste Group Bank AG and Raiffeisen Centrobank AG, and the certificates' underlying assets were the DAX, ROTX, S&P500 and EuroSTOXX50 indices, the prices for gold and oil, as well as the EUR/RON exchange rate spread. The total value of trades carried out on this market was RON 45.8 million (EUR10.7 million) in 2010, with the trades executed by 31 brokers.

Two issues of BSE preemptive rights were traded in 2010, one that resulted from a capital increase in Banca Transilvania (ticker symbol TLVR01) and the other related to a capital increase at Imotrust Arad (ARCVR01). The total value of rights trades reached RON 4.7 million in 2010 (EUR1.1 million), as against RON 47.8 million in 2008 (EUR

13.1 million), RON 82.4 million in 2007 (EUR 23.4 million) and RON 0.6 million in 2006 (EUR 0.2 million). No trade with preemptive rights was carried out on the BSE in 2009.

At the end of 2010 shares of 26 unlisted companies were traded through BSE systems, compared to 31 in 2009, 32 in 2008, 36 in 2007 and 41 in 2006.

In 2010, the Bucharest Stock Exchange launched an Alternative Trading System (ATS). Only one stock issue was traded on this market at the end of the year, mainly shares of German company Daimler AG (ticker symbol DAI). Trades with DAI shares on the BSE amounted to RON 604.8 thousand (EUR 140.8 thousand).

Stocks and derivatives trades on Sibex

Sibex opened in 2010 a regulated equity market and an Alternative Trading System (ATS). On the regulated market only one issue was being traded at the end of 2010, namely the issue of Sibex own shares (trade ticker SBX):

Ticker	Last price in 2009 (RON)	Last price in 2010 (RON)	2009 Net dividend paid in 2010 (RON)	Total return (in RON)	Notes
SBX	2.0000	1.5400	0.0000	-3.90%	Share capital increase with 5 free shares for every 100 owned; share capital increase with 1 share at 1.00 RON/share for every 2 shares owned.

The total value of 2010 trades with Sibex shares stood at RON 14.4 Million (EUR 3.4 Million).

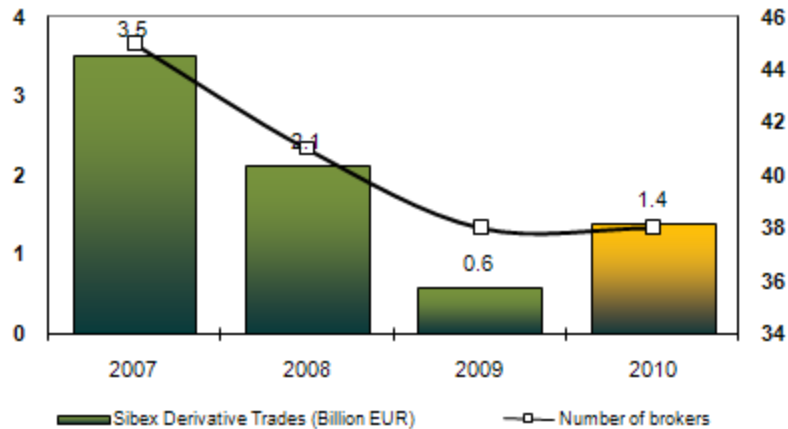
Only one stock issue was traded on the Sibex ATS as well, that of company Prodplast Imobiliare (symbol PPLI), which resulted from the split-up of Prodplast Bucharest (the latter is listed on the BSE regulated market under the ticker symbol PPL). The total value of trades with PPLI shares stood at RON 5.4 Million in 2010 (EUR 1.3 Million).

Apart from opening a spot equity market and listing its own shares in a groundbreaking move in Romania (the self-listing of Sibex preceded a similar operation that involved the BSE), Sibex launched further innovation in 2010: trading in USD and RON contracts on the US Dow Jones Industrial Average (DJIA) index, and the execution of the first exchange trade in Romania with EUA greenhouse gas emission allowances (this transaction was executed by Intercapital Invest).

21 types of futures contracts were traded on the Sibex derivatives market at the end of 2010. The underlying assets for derivatives traded on Sibex are as follows : shares of BRD - Groupe Societe Generale, SSIF Broker, Rompetrol Rafinare Constanta, the five Financial Investment Companies (SIFs), OMV Petrom, Transelectrica, Banca Transilvania, Erste Bank, the Bucharest Stock Exchange and Sibex; the USD/RON and EUR/USD exchange rate spreads; the DJIA index denominated in RON and USD; the gold contracts denominated in RON and USD; the futures contracts on EUA allowances.

At the end of 2010, Sibex traded 15 types of options contracts having as underlying assets shares in BRD - Groupe Societe Generale, SSIF Broker, Rompetrol Rafinare Constanta, the Five Financial Investment Companies, OMV Petrom, Banca Transilvania, Erste Bank and the Bucharest Stock Exchange, as well as the EUR/USD, EUR/RON and USD/RON exchange rate spreads. Sibex also traded 5 types of CFD contracts linked to the shares of BRD - Groupe Societe Generale, SIF Banat Crisana, SIF Muntenia, Banca Transilvania and SSIF Broker Cluj.

The total value of trades with derivatives on Sibex was RON 6.0 Billion in 2010 (EUR 1.4 Billion), as against RON 2.47 Billion in 2009 (EUR 0.6 Billion) and RON 7.83 Billion in 2008 (EUR 2.1 Billion):



The total value of trades with derivatives on Sibex was RON 6.0 billion in 2010 (EUR 1.4 billion), as against RON 2.47 billion in 2009 (EUR 0.6 billion) and RON 7.83 billion in 2008 (EUR 2.1 billion):

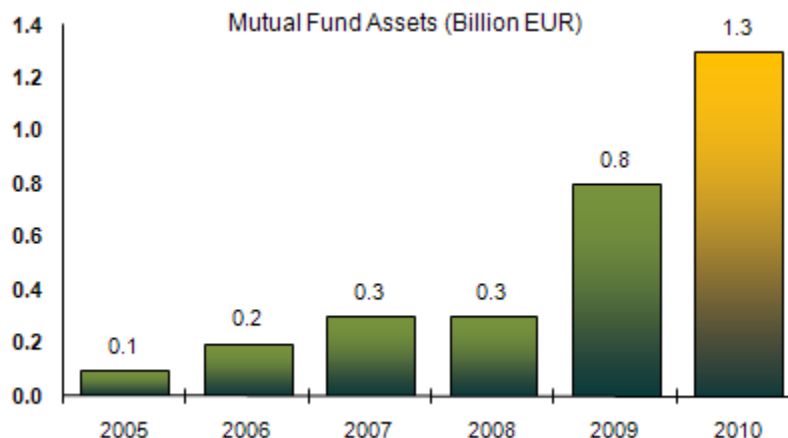
A breakdown by contract type indicates the following derivatives trade summary at Sibex:

- Futures contracts: RON 6.02 Billion in 2010 (EUR 1.43 Billion), compared to RON 2.47 Billion in 2009 (EUR 0,58 Billion), RON 7.83 Billion in 2008 (EUR 2.13 Billion) and RON 11.76 billion in 2007
- Options contracts: RON 1.79 Million in 2010 (EUR 0,43 Million), compared to RON 5.25 Million in 2009 (EUR 1.24 Million), RON 3.00 Million in 2008 (EUR 0.81 Million) and RON 5.42 million in 2007 (EUR 1.62 Million)
- Contracts for difference (CFD): RON 502.3 Thousand in 2010 (EUR 119 Thousand), compared to RON 95.1 Thousand in 2009 (EUR 22.4 Thousand), the first year when they entered trading.

The number of brokers trading on the Sibex derivatives market in 2010 was 38, compared to 38 in 2009, 41 in 2008, 45 in 2007 and 42 in 2006. The number of active brokers on the Sibex stock market was 20 in 2010, the first operation year of this market.

Investment funds

The number of mutual funds reported by the Romanian Association of Asset Managers (AAF) reached 57 at the end of 2010, as against 51 at the end of 2009, 52 in December 2008, 41 in 2007, 32 in 2006 and 23 in 2005. The assets of the 57 funds were worth a combined RON 5.49 Billion (EUR 1.30 Billion), exceeding for the first time the EUR 1-Billion mark. Mutual fund assets were RON 3,350 Million (EUR 791 Million) in 2009, RON 941 Million in 2008 and RON 954 Million in 2007:



Out of the total value of mutual fund assets, 55.7% was held by 7 money-market funds (53.3% of assets in 2009 and 37.1% in 2008), 17.4% was held by 5 bond funds (21.9% in 2009, 25.6% in 2008), 5.4% by 23 diversified funds (7.7% in 2009, 21.5% in 2008),

4.1% by 14 equity funds (5.6% in 2009, 9.1% in 2008) and 17.5% by 8 funds of other categories (11.5% in 2009, 6.7% in 2008).

The Mutual Funds Index (IFM), an average index reflecting the average returns of Romanian mutual funds, and which is calculated by Intercapital Invest, gained 8.98% in 2010, compared to +16.8% in 2009, -32.8% in 2008 and gains of 10.1% in 2007, 10.4% in 2006 and 16.2% in 2005, respectively.

As for closed-end funds, AAF reported 16 funds with total assets worth RON 179 Million (EUR 42.5 Million), compared to 13 funds with total assets of RON 138 Million in 2009 (EUR 32.6 Million).

Conclusions

The mostly flat trend of Romanian shares in 2010 was to be expected after the previous year's rallies, and taking into account the below par performance of the Romanian economy over the past years. Nevertheless, 2010 confirmed the conclusions of our 2009 market overview report, that the market had embarked on a recovery path out of the crisis.

This path is certainly not easy, and 2010 showed this through a prolonged lateral development, lack of volatility and low liquidity. The further recovery will not be easy either, all the more so as we are not talking (yet) about having overcome the crisis, but just about having emerged from it.

An interesting parallel can be drawn between the evolution of the BET index in the late '90s and the same developments in late 2000s, both times that witnessed deep market crises:

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The chart above indicates very similar trends in the two periods, specifically Sep 19 1997 - Dec 31 2000 and Sep 19 2007 - Dec 31 2010 (Sep 19 1997 was the date when the BET index was launched). What can we expect next? The history of the past decade shows that 2001 started off significant rises that continued for 7 years until 2007.

These similarities can of course be coincidental and they are not necessarily any indication of the future evolution of the BET starting in 2011. Yet, past history can offer us a model for market developments before, during and after emerging from a major crisis.

We consider that the outlook for shares listed on the Romanian capital market is good as of 2011. The end-2010 value of the BET index was -51.3% of the 2007 historic high, while the BET-FI index was -76.9%. Undoubtedly, the 2007 historic highs for the stocks traded on the BSE will not be reached again for a long time. Yet, the current 50-70% discounts for Romanian stocks are unjustified when compared with other markets in the region. These discounts could be partially made up for as from 2011, and Romanian stocks could set off on a positive, longer lasting trend. Investors buying shares at the current prices could have reasons for satisfaction in the years to come.

The favorable evolution of Romanian stocks will also be boosted by a series of important events scheduled for 2011: the listing of Fondul Proprietatea on January 25, the sale through the BSE of stakes held by the Romanian Government in Petrom, Transelectrica, Transgaz and Romgaz, and the listing of some private companies.

As in any uncertain times, there are risks as well, which, in a time of crisis like this, are not small. But we believe that a 50% allocation towards equity is reasonable today (and the exposure can be further gradually increased).

In late 2009 we reported that prospects had improved, and we can say now that 2010 did nothing but confirm our hypothesis. The results of improved prospects will become even more visible in 2011.

January 2011

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