2009 Romanian Capital Market

Overview

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Notes

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All figures and returns in this document, are shown/calculated in EUR, using annual average exchange rates for 2009, except where explicitly noted otherwise.

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 22.2 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 2008 amounts to EUR 196 Billion (PPP) and EUR 144 Billion in nominal terms (according to official exchange rates). The GDP value per capita is EUR 8,770 (PPP); 56% of the GDP is generated by services, 36% by industrial activities, while agriculture accounts for 8% (2008 estimates). Exports reached EUR 36 Billion in 2008, while imports reached EUR 55 Billion. The country's total external debt was EUR 74 Billion (2008 estimate). The inflation rate for 2009 was 5.6%. Historical inflation rates and macroeconomic indicators in 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 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 2009 was 4.23, compared to 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 2009 was 2.94, compared to RON 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 as well as 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 and futures contracts, and the Sibiu Monetary Financial and Commodities Exchange (BMFMS), which trades derivatives (futures, options and CFD contracts), and is in the process of launching an equity market.

The Bucharest Stock Exchange (BSE, www.bvb.ro), operates two markets: a regulated market and Rasdaq, a market in the process of being licensed as an alternative trading system. The latter had been operating as a distinct institution up to 2005, when it was merged into the Bucharest Stock Exchange. BSE lists some of the most important companies in Romania, including the National oil company (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) and five closed-end investment funds organized following the Mass Privatization Program in Romania (called SIFs). 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 World Bank and a similar one launched 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 also has a specialized derivatives exchange, the Sibiu Monetary Financial and Commodities Exchange (BMFMS or Sibex, www.bmfms.ro). The exchange trades futures, options and CFD contracts having stocks, indexes, gold, exchange rates and interest rates as underlying assets. BMFMS is in the process of launching its own equity trading platform in early 2010. 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 will be performed 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 operation of the modern Romanian capital market (1994-1996) were years of institutional and legal construction. In 1995, Romania witnessed 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). This extended bear trend left Romanian shares at very low price levels, with average P/E's in the 1-2 range.

Economic conditions in Romania reached a turning point in 2000, when 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 market trend was reversed. Prices of Romanian shares increased constantly 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 as 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. In December 2009 the total capitalization of the Bucharest Stock Exchange (including Rasdaq) was EUR 22.0 Billion, up from 14.7 Billion in 2008, but down from EUR 31.6 Billion in 2007 and 24.5 Billion in 2006. Total equity trading value for the exchange (including Rasdaq) was EUR 1.3 Billion in 2009, down from 2.3 Billion in 2008, 5.4 billion in 2007 and 3.0 billion in 2006. The official BSE index, BET, gained 53% in 2009, after losing 73% in 2008. The index gained 20% in 2008, 31% in 2006 and 60% in 2005 (all returns in EUR).

We believe that the market is set on a growing trend in the years to come, after the financial crisis and the global recession are over. A number of interesting listings are expected in the following years on the Romanian Market: national communication, energy and utilities providers; the largest Romanian bank - Romanian Commercial Bank; the Proprietatea Fund, one of the largest investment funds in the region; a number of medium to large-size private companies. The buy side will also strengthen, as the Romanian public becomes more educated in terms of financial issues, the number of foreign investors (mainly institutional) continues to grow, while Romanian institutional investors, including mutual funds, pension funds and insurance companies, increase their investments in listed securities.

The domestic Capital Market will also benefit from the economic, political and social transformations of Romania, including effects of the country's accession to the European Union, higher standards of living, improved economic, infrastructure, tax and legal conditions.

2009 Romanian Capital Market Overview

The capital market made a major comeback in 2009, after the steep plunge of the previous year. A large share of stocks listed on the regulated market of the Bucharest Stock Exchange (BSE) recorded significant gains, but prices recovered only part of 2008's losses, and liquidity continued to drop.

BET, BSE's main index, closed the year with a rise of 53.3%, whereas the market's BET-C composite index gained 30.2%, and the BET-FI index of the five financial investment companies was up 80.5%. The Rasdaq market bounced back slightly, with the market's official index, Rasdaq-C, adding just 8.1% in 2009 (return for Rasdaq is in RON, as EUR figures are not published by the exchange). The value of equity trades on the BSE regulated market fell 36.4% from the previous year, whereas the value of Rasdaq trades dropped 68.0%.

Next we present the individual performance for all issuers listed on the regulated market of the BSE. We calculate total returns, including performance based on price moves, dividends and operations affecting the share capital (only free distributions of stocks and cash capital increases at prices lower than market prices are included). For the companies which started trading in 2009, we used the closing price at the end of the first trading day on BSE's regulated market as the initial price.

Individual returns for tier I issuers listed on BSE's regulated market follow (note: all figures in the following table are in EUR):

Ticker	Issuer Name	Price at End of 2008 (EUR)	Price at End of 2009 (EUR)	Net EUR Dividend for 2008 (paid in 2009)	Total Return (in EUR)	Activity and Notes
SIF3	SIF Transilvania	0.0683	0.1608	0.0059	144.3%	Investment fund
BIO	Biofarm	0.0196	0.0475	0.0000	142.9%	Pharmaceuticals
SIF5	SIF Oltenia	0.1468	0.3004	0.0119	112.7%	Investment fund
IMP	Impact Developer & Contractor	0.0079	0.1667	0.0000	111.0%	Real estate devlopment; stock consolidation 10:1
SIF2	SIF Moldova	0.1330	0.2696	0.0089	109.4%	Investment fund
BRK	SSIF Broker Cluj	0.0231	0.0480	0.0000	108.0%	Securities brokerage
ALR	Alro Slatina	0.3162	0.5865	0.0528	102.2%	Aluminium
SIF1	SIF Banat-Crisana	0.1368	0.2673	0.0059	99.8%	Investment fund
AZO	Azomures Tg. Mures	0.0389	0.0665	0.0000	70.9%	Fertilizers
ATB	Antibiotice Iasi	0.0903	0.1490	0.0033	68.6%	Pharmaceuticals
BRD	BRD - Groupe Societe Generale	2.0702	3.0746	0.1444	55.5%	Banking
OLT	Oltchim Rm. Valcea	0.0351	0.0544	0.0000	54.8%	Chemicals
OIL	Oil Terminal Constanta	0.0401	0.0568	0.0002	41.8%	Oil transport
SNP	OMV Petrom	0.0454	0.0589	0.0000	29.7%	Oil
TGN	SNTGN Transgaz	30.6133	37.1316	2.0756	28.1%	Naturatl gas transport
TEL	CNTEE Transelectrica	2.7602	3.1928	0.0595	17.8%	Electricity transport
TBM	Turbomecanica Bucuresti	0.0179	0.0203	0.0000	13.8%	Aerospace
SIF4	SIF Muntenia	0.1568	0.1679	0.0079	12.1%	Investment fund
SOCP	Socep Constanta	0.0401	0.0343	0.0000	-14.6%	Transportation
TLV	Banca Transilvania	0.0657	0.5038	0.0093	-21.9%	Banking; stock consolidation 10:1
BCC	Banca Comerciala Carpatica	0.0457	0.0234	0.0000	-45.5%	Banking; 13.9% cash share capital increase

For the bulk of shares listed on the market's first tier, 2009 was the year of a major comeback: the average total return of these shares was +59.1%, while the median was 55.5%. 12 of the 21 shares above generated positive returns above +50%, while only three shares had negative returns.

Just like in 2008, the key driver for BSE listed stocks was the general trend on foreign markets and the unfurling of the international financial crisis. Whereas in the previous year, the onset of the crisis on capital markets triggered severe price declines for BSE issuers, regardless of financial results, the situation reversed in 2009 and the recovery of global markets determined positive returns on the BSE as well.

The most volatile shares landed the leading positions in the 2009 tier I ranking. SIF Transilvania (SIF3) tops the list with a total return of +144.3%, after having been in 2008 the poorest performing of the 5 SIFs, and having recorded at the beginning of 2009 the lowest price to net asset value (NAV) ratio, respectively 0.25 (at the end of 2009 the ratio had increased to 0.46).

The second best return was that of independent drug manufacturer Biofarm Bucharest (BIO), at +142.9%; this stock is perceived as tracking the SIFs, due to the financial investment companies' participating in its capital, but also to Biofarm's own investments in SIF shares.

SIF Oltenia (SIF5) ranks third in the hierarchy of the best performing issuers on tier I, with a total return of +112.7%. Just like in the case of SIF Transilvania, SIF5 is the second best performing SIF in 2009, after having recorded in 2008 the steepest price decline and having posted in early 2009 the second lowest price to NAV ratio (0.33, advancing to 0.46 by the end of the year).

The high historic volatility of SIF shares and a general positive market context led to above-average returns for shares of these investment funds in 2009. Moreover, legislative debates were resumed this year regarding the increase of the maximum ownership cap from the current 1%, an element that gave prices a supplementary boost. After the Senate's approval and the initiation of talks in the Chamber of Deputies, these debates are expected to reach a conclusion in the first part of 2010.

Real estate developer Impact Developer & Contractor (IMP) returned +111.0%. Although the company's financial results were not spectacular, its favourable market evolution was determined by a severe the 94.3% price drop in 2008, the initiation of a 10 for 1 share consolidation operation and the rising interest of foreign institutional investors (Franklin Templeton group included) in this issuer.

Returns above 100% were also recorded by aluminium producer Alro (ALR), +102.2%, and two financial companies: SIF Moldova (SIF2) with +109.4% and SSIF Broker Cluj (BRK) with +108.0%; SIF Banat-Crisana (SIF1) almost made it to the 100% mark, with 99.8%. 2008 tier I "hotshot", chemical fertilizer producer Azomures (AZO), which had the lowest negative return of that year (-29.4%), returned a solid +70.9% in 2009.

Other companies to generate good returns for investors in 2009 were Antibiotice Iasi (ATB, +68.6%), BRD – Groupe Societe Generale (BRD, +55.5%), Oltchim Rm. Valcea (OLT, +54.8%) and Oil Terminal (OIL, +41.8%).

By comparison with the above, the returns of energy and utility companies were modest. OMV Petrom (SNP) had a return of just +29.7%, after a 64.1% plunge in 2008; Transgaz (TGN) and Transelectrica (TEL) had total returns of +28.1% and +17.8%, respectively.

SIF Muntenia (SIF4) shares performed below average, with a return of just +12.1%, the poorest such result of the five SIF. On the other hand, SIF Muntenia scored the smallest decline of the five financial investment companies in 2008, of -74.3%; SIF4 also had the highest price to NAV ratio in early 2009 (0.39). The modest performance of SIF4 shares can also be ascribed to the issuer's being the only of the five SIFs to see its profit dip in Q3 2009 from the same period of 2008.

With a total return of -21.9%, Banca Transilvania (TLV) stands in the lower part of the tier I ranking. Its position is due to the fact that beginning September 12, 2008 TLV shares were suspended from trading for processing a 10:1 share consolidation operation. TLV shares remained suspended until the end of 2008, so the steep declines of that year's final months were not incorporated in the bank's shares, but were *carried over* into the performance of 2009.

If we compare the last price of TLV shares in 2009 to the price recorded in the first day of the same year (and not to the last price in 2008), then TLV shares return a hefty +85.9%. But in order to keep the comparability of annual returns with the figures in previous reports, the annual return included in the present document stays at -21.9% for TLV (the 2009 annual return for TLV shares was -55.1%, the third best tier I return that year, exactly because it did not include the drops over October – December 2008).

Another listed bank, Banca Comerciala Carpatica (BCC), was also subject to poor market performance, with the total return at revenue standing at -45.5%, which is the sharpest plunge in BSE's tier I ranking.

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

Ticker	Issuer Name	Price at End of 2008 (EUR)	Price at End of 2009 (EUR)	Net EUR Dividend for 2008 (paid in 2009)	Total Return (in EUR)	Activity and Notes
ALU	Alumil Rom Industry	0.1731	0.5085	0.0575	226.9%	Aluminium products
RRC	Rompetrol Rafinare	0.0046	0.0149	0.0000	221.0%	Oil refining
COMI	Condmag Brasov	0.0592	0.1608	0.0000	219.6%	Construction & Engineering; 33.33% cash share capital increase
CMP	Compa Sibiu	0.0238	0.0686	0.0000	187.7%	Auto parts
DAFR	Dafora	0.0098	0.0241	0.0000	145.9%	Equipment & services for the oil industry
SCD	Zentiva Bucuresti	0.0680	0.1620	0.0000	138.2%	Pharmaceuticals
EPT	Electroputere Craiova	0.0235	0.0426	0.0000	81.1%	Industrial & railway equipment
ALT	Altur Slatina	0.0040	0.0071	0.0000	79.0%	Auto parts
BRM	Bermas Suceava	0.0848	0.1407	0.0087	76.2%	Beer
CMCM*	Comcm Constanta	0.0502	0.0825	0.0032	70.9%	Construction materials; listed in 2009 by transfer from Rasdaq
SNO	Santierul Naval Orsova	0.9962	1.3363	0.1487	49.1%	Shipyard
TRP	Teraplast Bistrita	0.1004	0.1466	0.0000	46.1%	Construction materials

PTR	Rompetrol Well Services	0.0753	0.0993	0.0048	38.3%	Oil services
VESY	VES Sighisoara	0.0136	0.0177	0.0007	34.9%	Home appliances
RMAH*	Remedia Bucuresti	0.0276	0.0371	0.0000	34.5%	Pharmaceuticals retail and wholesale; listed in 2009 by transfer from Rasdaq
AMO	Amonil Slobozia	0.0035	0.0044	0.0000	26.1%	Fertilizers
TUFE	Turism Felix	0.0427	0.0520	0.0000	22.0%	Hotels & Restaurants
SPCU*	Boromir Prod Buzau	0.0841	0.1005	0.0000	19.6%	Flour productsl; listed in 2009 by transfer from Rasdaq
VNC	Vrancart Adjud	0.0133	0.0158	0.0000	18.9%	Paper
APC	VAE Apcarom Buzau	0.1104	0.1301	0.0000	17.8%	Railway equipment
BCM	Casa de Bucovina	0.0141	0.0166	0.0000	17.8%	Hotels & Restaurants
COTR	Constructii Transilvania	7.5279	8.7508	0.0000	16.2%	Construction
ARM	Armatura Cluj Napoca	0.0294	0.0333	0.0000	13.6%	Steel products
ARS	Aerostar Bacau	0.1430	0.1407	0.0129	7.4%	Aerospace
ECT	Electrocontact Botosani	0.0070	0.0074	0.0000	6.8%	Electrical equipment
STZ	Sinteza Oradea	0.0652	0.0686	0.0000	5.1%	Chemicals
SRT	Siretul Pascani	0.0076	0.0077	0.0000	1.4%	Textiles
PEI	Petrolexportimport Bucuresti	4.7676	4.7301	0.0000	-0.8%	Oil trading
UZT	Uztel Ploiesti	1.3550	1.0406	0.0575	-4.8%	Oil industry equipment 40% cash share capital increase
PCL	Policolor Bucuresti	1.0740	1.0123	0.0000	-5.7%	Paints; not traded in 2009 and delisted
PPL	Prodplast Bucuresti	0.8281	0.7805	0.0000	-5.7%	Plastic products. Listed but not traded in 2009
ENP	Energopetrol Campina	0.4015	0.3690	0.0000	-8.1%	Oil services
COS	Mechel Targoviste	0.4517	0.4068	0.0000	-9.9%	Steel
MPN	Titan	0.0954	0.0828	0.0025	-10.6%	Flour products
MECF	Mecanica Ceahlau	0.0301	0.0248	0.0000	-11.1%	Agricultural machinery; 50% cash share capital increase
ART	Artrom Slatina	0.5094	0.4257	0.0000	-16.4%	Steel products
UAM	UAMT Oradea	0.1124	0.0927	0.0000	-17.5%	Auto parts
ASA	Agras Bucuresti	0.0954	0.0750	0.0000	-21.4%	Insurance; delisted in 2009
MJM	MJ Maillis	0.7252	0.5676	0.0000	-21.7%	Packing
CGC	Contor Grup Arad	0.0244	0.0187	0.0000	-23.6%	Industrial Equipment
EFO	Turism, Hoteluri, Restaurante Marea Neagra	0.1455	0.1038	0.0000	-28.7%	Hotels & Restaurants
MEF	Mefin Sinaia	0.2861	0.1987	0.0000	-30.6%	Industrial Equipment
FLA	Flamingo International	0.0075	0.0044	0.0000	-41.9%	IT & White goods retail and wholesale
ROCE	Romcarbon Buzau	0.1606	0.0643	0.0000	-46.8%	Industrial equipment; 41.93% cash share capital increase
ELJ	Electroaparataj Bucuresti	0.0708	0.0343	0.0000	-51.5%	Electrical & industrial equipment
CMF	Comelf Bistrita	1.1919	0.5558	0.0075	-52.7%	Industrial equipment
ZIM	Zimtub Zimincea	0.5771	0.2152	0.0000	-62.7%	Pipes & steel products
CBC	Carbochim Cluj Napoca	2.2082	0.6504	0.0357	-68.9%	Industrial Equipment

*compared to closing price in the first day of trading on the regulated market

Unlike companies listed on the first tier, issuers on tier II had a wider range of returns: 28 companies closed the year with a positive performance, 3 companies stagnated (two of them were not traded in 2009), and 17 recorded a decline. The average of total returns of companies listed in this category was +26.7%, half the average performance for tier I issuers (the difference is also visible when looking at official indexes: BET, which measures the performance of the top liquid shares selected mainly from tier I, scored a gain of +53.3%, whereas the BET-C, which incorporates all listed shares except for the SIFs, advanced +30.2%).

The shares maintained their volatility profile from previous years and overall, the best performing shares of the category were the ones that witnessed the steepest falls in 2008. Thus, the company with the best return in this category (and also the best performing stock listed on the BSE) was aluminium profiles producer Alumil Rom Industry (ALU), with a total return of +226.9%. The company's financial results remained relatively stable in comparison with 2008, and there was no significant change in the stock's liquidity; Alumil was a top performer in 2009 as in the previous year it had been one of the poorest performing issuers, with a return of -87.4%.

Rompetrol Refinery Constanta (RRC) also performed well, with +221.0%. The good performance of RRC shares was determined by sharp falls in 2008 (-84.8%), and market expectations for a takeover bid made by the majority shareholder.

The group made up of companies Condmag Brasov (COMI) and Dafora Medias (DAFR) also had good gains in 2009, posting returns of +219.6% and +187.7% respectively, after the poor performance in 2008 (-85.3% and -90.6%, respectively). Auto components producer Compa Sibiu (CMP) ended the year with a total return of +187.7%, after a disastrous -94.8% in 2008.

Other issuers with good returns in 2009 were drug manufacturer Zentiva Bucharest (SCD, +138.2%), Electroputere Craiova (EPT, +81.1%), Altur Slatina (ALT, +79.0%), Bermas Suceava (BRM, +76.2%) and the recently listed Comcm Constanta (CMCM, +70.9%).

A number of seven companies had average returns in the +20% and +50% range, whereas another ten companies saw positive returns below 20%. Two listed companies had no trades at all in 2009: Policolor Bucharest (PCL), which was delisted at the beginning of the year, and Prodplast Bucharest (PPL), which undergoes a splitting process.

A number of 21 companies had negative total returns in 2009. Among the worst hit issuers, with losses in excess of 40%, is Flamingo International (FLA, -41.9%), a company that was seriously hurt by the economic crisis and which entered the insolvency procedure at the end of 2009. The economic crisis also took a great toll on a series of industrial companies that saw their turnover shrink: Romcarbon Buzau (ROCE, -46.8%), Electroaparataj Bucharest (ELJ, -51,5%), Comelf Bistrita (CMF, -52.7%), Zimtub Zimnicea (ZIM, -62.7%) and Carbochim Cluj-Napoca (CBC, -68.9%)

Just one issuer was traded in 2009 on tier III of the regulated market:

Ticker	Issuer Name	Price at End of 2008 (EUR)	Price at End of 2009 (EUR)	Net EUR Dividend for 2008 (paid in 2009)	Total Return (in EUR)	Activity and Notes
UCM	UCMR Resita	0.0565	0.0769	0.0000	36.1%	Industrial Equipment

One issuer was traded on the international section of BSE:

Ticker	Issuer Name	Price at End of 2008 (EUR)	Price at End of 2009 (EUR)	Net EUR Dividend for 2008 (paid in 2009)	Total Return (in EUR)	Activity and Notes
EBS	Erste Bank Austria	58.5000	109.8000	0.6581	81.4%	Banking

A new entrant joined the investment funds segment, OTP WiseRO (WRO), which successfully carried out an IPO in 2009. Although WiseRO is a capital guarantee fund, the price of its units lost 24.8% after listing:

Ticker	Issuer Name	Price at End of 2008 (EUR)	Price at End of 2009 (EUR)	Net EUR Dividend for 2008 (paid in 2009)	Total Return (in EUR)	Activity and Notes
STK	STK Emergent	9.7611	9.1765	0.0000	-6.0%	Investment fund
WRO*	OTP WiseRO	52.6950	39.6150	0.0000	-24.8%	Investment fund; listed in 2009 following IPO; first structured product on the BSE

*compared to closing price in the first day of trading on the regulated market

Only two initial public offerings took place in 2009 on the Romanian capital market. They were both launched by investment funds managed by OTP Asset Management, were closed successfully and were managed by Intercapital Invest.

OTP WiseRO is a capital guarantee fund with a 3-year lifespan, which tracks the SGI Wise US Long/Short Vol Target index belonging Societe Generale. The index includes a combination of long and short positions US S&P500 shares. OTP WiseRO is the first

Romanian fund established after an IPO and the first structured product listed on BSE. The fund is traded on the BSE regulated market since 10/08/2009.

OTP Green Energy is a capital guarantee fund with a minimum guaranteed return of 12% over a lifespan of 3.5 years and the performance of which is linked to the ERIXP index of Societe Generale, which includes renewable energy companies. The procedure for admission to trading on the BSE regulated market is underway and should be completed in early 2010.

A series of preliminary prospectuses have been released for initial public offerings of several state-owned companies: the Administration of the Danube Sea Ports – Galati, the Administration of the Maritime Danube - Galati, the Administration of the Danube River Ports - Giurgiu, the Constanta Navigable Channels Administration, the Constanta Maritime Ports Administration, the Mihail Kogalniceanu Airport of Constanta and the Traian Vuia Airport of Timisoara. All these offerings were postponed and did not take place in 2009.

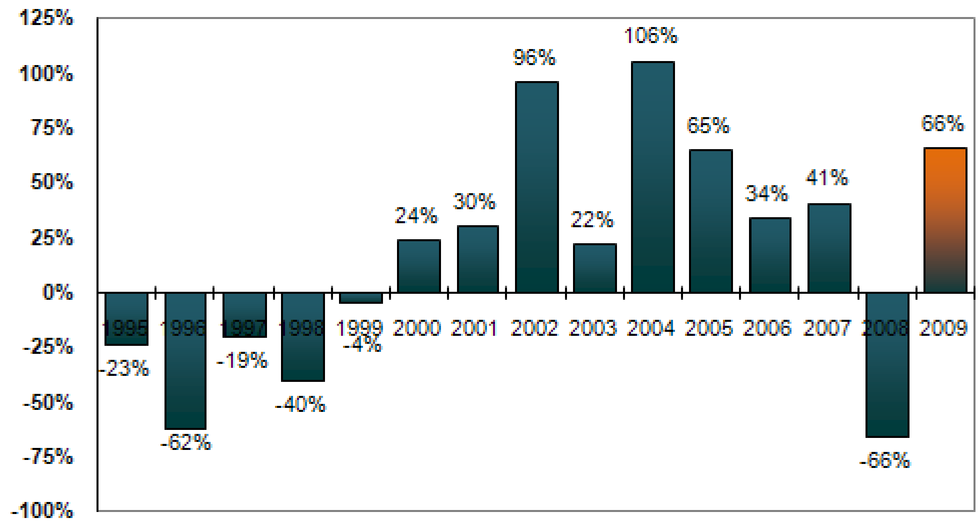
Apart from listing the OTP WiseRO (WRO) fund, the Bucharest Stock Exchange also admitted to trading on the regulated market the shares of three companies transferred from Rasdaq: the Deva-based Farmaceutica Remedia (RMAH), a pharmaceutical products distributor, Boromir Prod Buzau (SPCU), active in the milling and bread making industry, and Comcm Constanta (CMCM), a producer of concrete and other types of construction materials.

Two companies were delisted in 2009 from the regulated market of the BSE: the Bucharest-based paints producer Policolor (PCL) and insurer Agras (ASA). Both delisting moves took place at the initiative of the majority shareholders of the two issuers, by squeeze-out followed by delisting from the capital market (Intercapital Invest acted as manager for the squeeze-out and delisting of Policolor).

We calculated the TRX index for 2009. TRX is a Total Return index calculated annually by Intercapital Invest. The index shows the average return of all issuers traded on the BSE regulated market (companies and investment funds), taking into account price variations, dividends and operations that affect the share capital (cash increases at a price/share above market prices are not included).

Each issuer is weighted with the end-of-year capitalization. The maximum weight of a share in the index is limited to 10%, and the return of each share is adjusted with the listing period for issuers listed/delisted during the year. The final TRX returns are adjusted with the inflation rate. Beginning with the current year, the issuers listed on the international segment were excluded from the calculation of the index (EBS was the only international issuer in 2009) in order to preserve the relevance of the index for the local market.

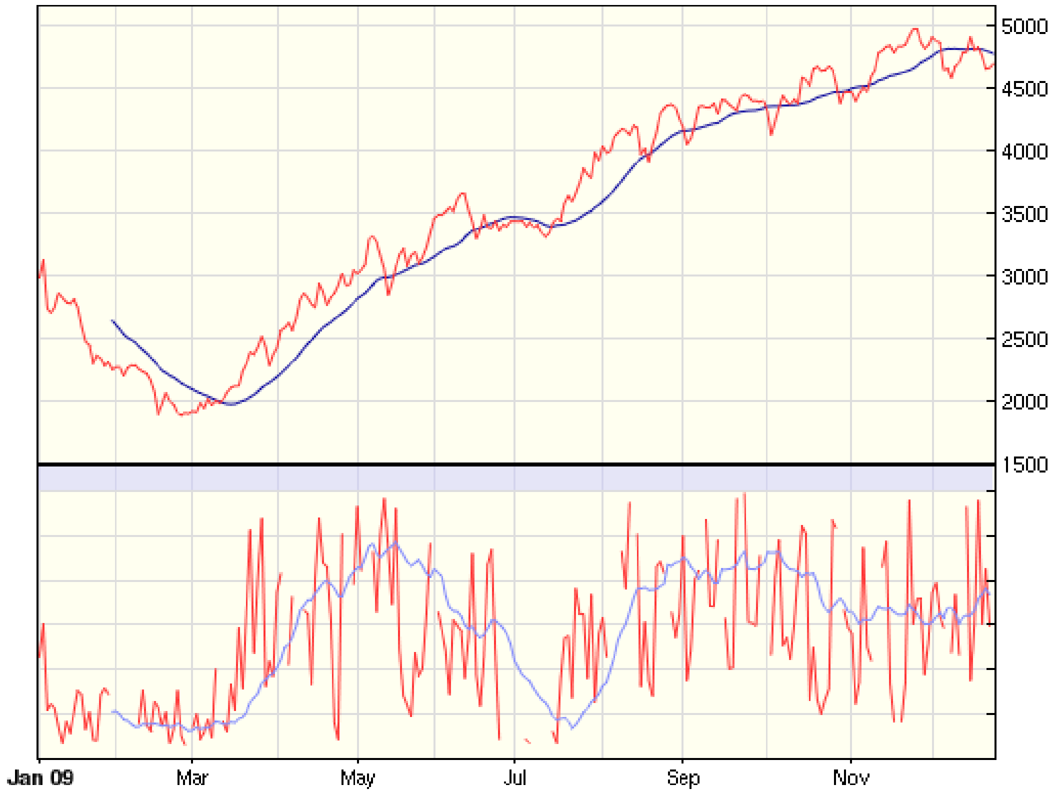
The TRX value for 2009 calculated by Intercapital Invest was 66.47%. According to the TRX, 2009 was the third best-performing year for BSE investors:



BET, the official index of the Bucharest Stock Exchange, also scored the third best annual performance in its history, with an increase of 53.3% in 2009.

There were two distinct stages in the evolution of the index in 2009. The first, that lasted until end-February, was a continuation of the general downward trend that prevailed in 2008. The index hit the absolute low of the current crisis on February 25, 2009, at 1,887.14 points that marked a 35.0% decline from the end of 2008. The value of the index on the same date of February 25 was also 80.8% below the level recorded at the end of 2007 and 82.5% down from the all time high the index recorded on July 24, 2007.

Beginning with March, the index took to a sustained growth stage that kept on until the end of the year. The BET accumulated +148.6% against February's low:



Despite the continuous rise in prices in the last three quarters of 2009, very few investors anticipated such a lengthy comeback, and risk aversion stayed high after the disastrous evolutions of 2008.

Still, the cumulative return of the BET for the years 2008-2009 remains -54.6%; the index value of 4,690.57 points at the end of 2009 is in line with the values recorded by the index five year ago, in early 2005.

The other Stock Exchange official indices, BET-C (which takes into account all listed shares except the SIFs) and BET-FI (which tracks the evolution of SIF shares) have evolved similarly to the BET in 2009: +30.2% for the BET-C and +80.5% for the BET-FI:

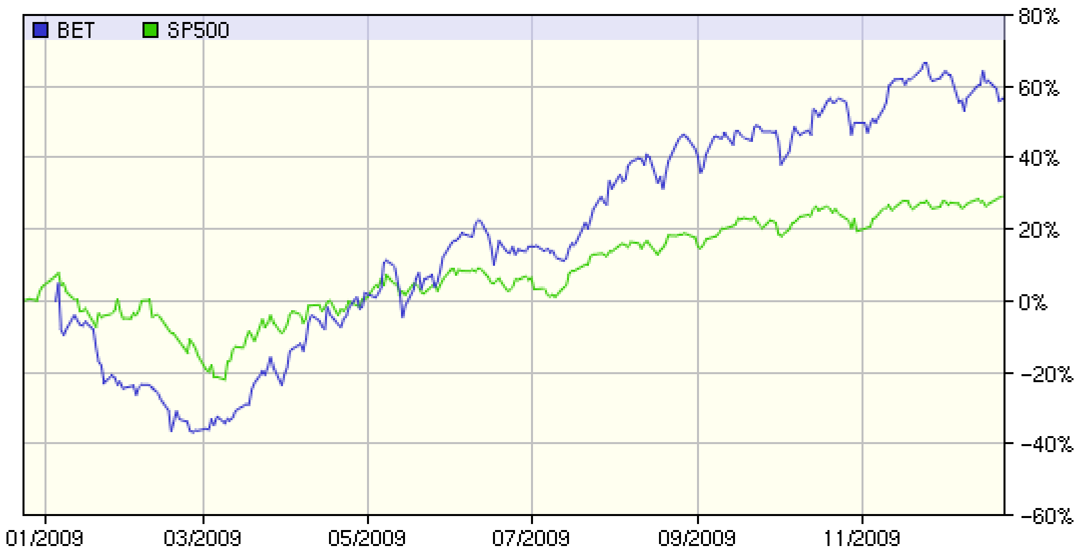
Non-resident investors became once again net stock buyers in 2009, after sales were higher than acquisitions in the previous years (in each year of the 2002-2007 interval non-resident investors were net buyers as well).

The correlation of the Romanian capital market with markets in the region remained very strong in 2009 (PX, WIG and BUX are the stock exchange indices of the Czech Republic, Poland and Hungary, respectively):

The correlation coefficients of BET and each of the three indices were of 0.97, 0.99 and 0.98 respectively in 2009, which are all similar to the values recorded in 2008. BET volatility remained higher than that of the three indices in the region: 2.58% for the BET, compared with 1.97% for the PX, 1.80% for the WIG and 2.30% for the BUX (the volatility was calculated as standard deviation of daily returns).

BET volatility in 2009 was comparable with that of 2008 (2.68%), yet far higher than in previous years: 1.41% in 2007, 1.36% in 2006 and 1.99% in 2005.

BSE stocks kept their strong correlation with developed markets as well. The correlation coefficient between BET and the US S&P500 was 0.98 in 2009, close to 0.94 in 2008 but far from 0.52 in 2007. The S&P500 volatility was 1.73% in 2009 (compared to 2.58% for the BET):



The market's average P/E increased significantly to 16.8 in 2009 from 7.3 in 2008, but still lower than 22.0 in 2007 and 18.5 in 2006. The average P/E for tier I companies only was 19.7, compared to 4.1 in 2008, 23.6 in 2007 and 23.7 in 2006.

The market's average P/B index calculated for 2009 was 0.74, compared to 0.58 in 2008; average P/B multiple for tier I companies was 0.95 in 2009, compared to 0.58 in 2008.

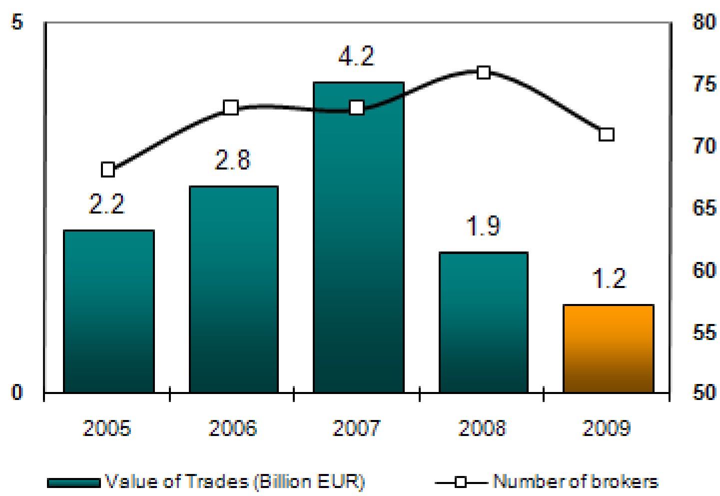
A number of 24 BSE-listed companies paid dividends in 2009 (based on 2008 results), compared to 20 companies in 2008, 20 in 2007, 18 in 2006 and 21 in 2005. Of the 24 dividend-paying companies in 2009, 12 were listed on the first tier, 11 on tier II and one on the international section (Erste Bank).

Taking into account the small prices of shares at the beginning of 2009, some issuers reported quite substantial dividend returns: 35.3% for Alumil (ALU), 17.8% for Alro Slatina (ALR), 15.9% for the Orsova Shipyard (SNO) and 10.9% for Bermas Suceava (BRM). For another ten companies the dividend return stood between 5 and 10%:

Aerostar Bacau (ARS), SIF Transilvania (SIF3), SIF Oltenia (SIF5), BRD – Groupe Societe Generale (BRD), Transgaz (TGN), SIF Moldova (SIF2), Comcm Constanta (CMCM), Rompetrol Well Services (PTR), SIF Muntenia (SIF4) and VES Sighisoara (VESY). Dividend returns were calculated as the ratio of net dividend paid in 2009 to the price per share at the end of 2008.

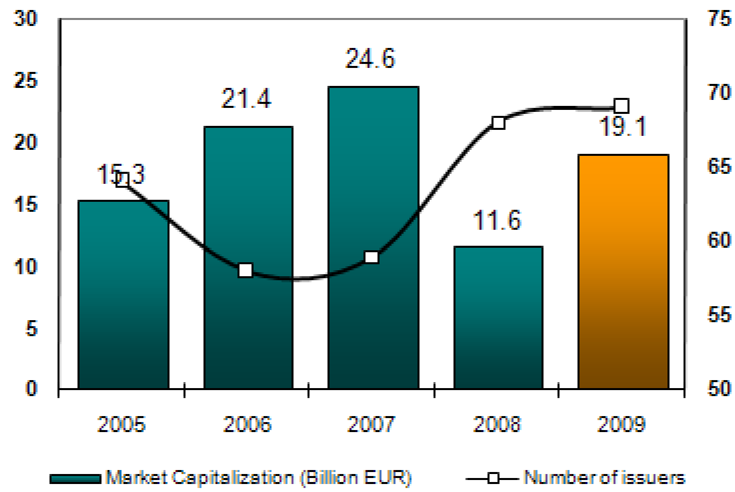
There were very few capital increase operations in 2009. The most notable were initiated by Banca Comerciala Carpatica (BCC), Condmag Brasov (COMI), Uztel Ploiesti (UZT), Mecanica Ceahlau (MECF) and Romcarbon Buzau (ROCE).

Despite the relatively good price performance, liquidity continued to decline in 2009, with value of equity trades reaching EUR 1.2 Billion, from 1.9 Billion in 2008 (-36.4%) and 4.2 Billion in 2007 (-71.0%). The fall in the value of trades occurred against the backdrop of a relatively constant number of trades (1.3 million, -1.9% compared to 2008) and of a slight increase in the number of traded shares (14.4 million, +12.3% compared to 2008).



The number of brokers (SSIF and commercial banks) that executed equity trades on the BSE in 2009 fell slightly to 71, from 76 in 2008, 73 in 2007 and 2006, and 70 in 2005.

The capitalization of the BSE regulated market was EUR 19.1 billion at the end of 2009:



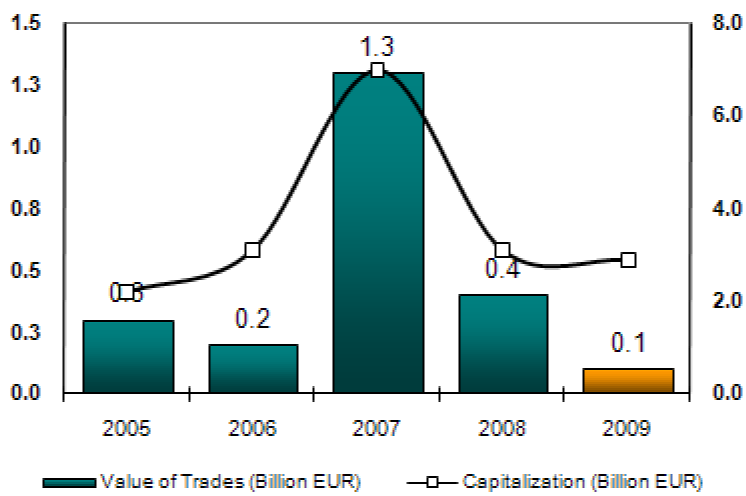
The Rasdaq market managed by BSE recovered to a lesser extent from the 2008 decline. The system's composite index, the Rasdaq-C, inched up just 8.1% in 2009, after a plunge of 55.3% in 2008; however, considering the milder declines in 2008, the Rasdaq-C cumulative return over the interval 2008 - 2009 stands at -51.6%, comparable with that of the BET over the same period, of -52.3% (returns for the Rasdaq-C index are computed in RON, as the index is not available in EUR).

Rasdaq shares no longer attracted investors' interest in 2009; the volatility of the Rasdaq-C index of just 0.89% stands far below the 2.58% volatility of the BET index:

The other Rasdaq indices also performed poorly: the Rasdaq first tier index, the RAQ-I, gained 5.5% in 2009, whereas the index of the system's second tier, the RAQ-II, advanced 12.4% (returns in RON).

On the Rasdaq market, the fall in liquidity was even more dramatic than on the regulated market of the exchange. The total value of stock trades on this market was of EUR 0.1 Billion in 2009, down by 68.1% from 2008 and by 89.4% from 2007, respectively.

Rasdaq capitalization remained relatively stable compared with the previous year: EUR 2.9 Billion at the end of 2009, compared to 3.1 Billion at the end of 2008:



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

The following issuers were included on the market's tier I: 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) and STX RO Offshore Braila (SNBB) shipyards and oil equipment producer Upet Targoviste (UPET); the Vega Refinery (VEGA) was delisted this year upon request.

The 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), Ilefor Targu Mures (ILEF), Inox Magurele (INOX), Romportmet Galati (ROMT), Bega Tehnomet Timisoara (TEHO) and Unisem Bucharest (UNISEM).

Four companies were listed on Rasdaq in 2009; just like in the previous years, all new entrants are companies resulted from the splitting of issuers already listed on the market: Potis Capital Cluj (POTI), Taniro Capital Cluj (TANI), both resulting from the splitting of LCS Imobiliar Cluj (LCSI); Fimaro Development Cluj (FIMD), a company resulted from the splitting of Fimaro Cluj (FIMA), and Agrorent Arad (RENT), which resulted from the splitting of Comcereal Arad (CORR).

A number of 193 issuers were delisted from the Rasdaq market in 2009. Delisted companies include: Ambro Suceava (AMRO), insurer Asigurarea Romaneasca Asirom (ASRA), Farmaceutica Aseculap Mures (FASU), Neferal Pantelimon (NEFE), Sanex Cluj (SANE), TMK Resita (SROY), Tractorul Brasov (TRUX) and the Vega Refinery (VEGA).

By the value of 2009 trades, the most liquid Rasdaq issuers were: Automobile Craiova (AUCS), Bere Azuga (BEGY), Armax Gax (ARAX), Asigurare Reasigurare Ardaf (ARDF), Albalact (ALBZ), Prospectiuni Bucharest (PRSN), Picon Bucuresti (PICO), Electromagnetica Bucharest (ELMA), Petrom Aviation (ROFU) and STX Offshore Braila (SNBB).

The top most liquid Rasdaq issuers by number of trades in 2009 were: Armax Gaz, Prospectiuni, Albalact, Imotrust Arad (ARCV), Electromagnetica, Iproeb Bistrita (IPRU), Concefa Sibiu (COFI), Cemacon Zalau (CEON), Asigurare Reasigurare Ardaf and Automobile Craiova.

A further 31 issuers were traded through the BSE trading system, on the exchange unlsited market (to 32 in 2008, 36 in 2007, 41 in 2006 and 43 in 2005). No preferred stock issues were traded in 2009 on the BSE.

As far as fixed-income instruments are concerned, the main event of the year was the admission to trading of a RON bond issue of the European Bank for Reconstruction and Development (BERD), which was also listed in London. The issue has a face value of RON 130 Million (32 Million EUR), matures in February 2019 and has a fixed coupon rate of 11.25% per annum (in RON). The issue saw no trades on the BSE until the end of the year.

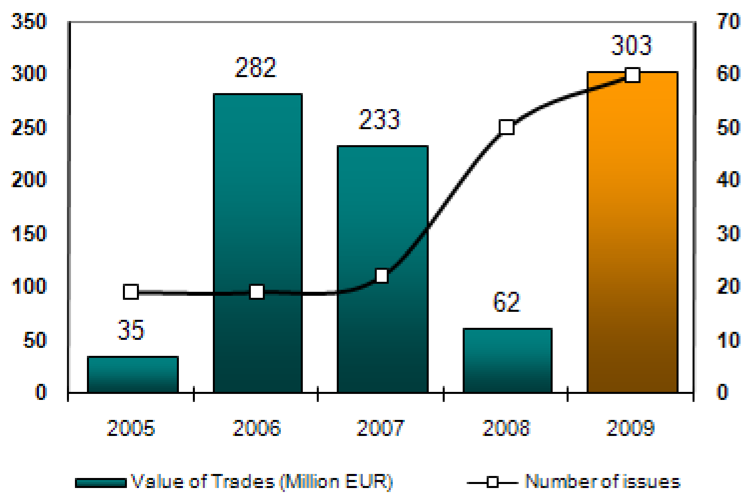
In 2009 there have been no public corporate issues (the EBRD issue was sold internationally). After many of the BSE-listed corporate bonds reached maturity in 2009, only three issues were still trading by the end of the year (of which the International Leasing issue reaches maturity in early 2010):

Ticker	Issuer	Tier	Maturity	Face Value (Mil. EUR)	Coupon* (in RON)	Price*
YTLS10	International Leasing IFN	II	01/2010	1.2	17.26%	100.00
EIB14	European Investment Bank	International	05/2014	73.2	7.00%	91.23
EBRD19	European Bank for Reconstruction and Development	International	02/2019	31.7	19.25%	Not traded

* values at the end of the year

A number of 10 government bond issues were traded in 2009 on the BSE, out of a total of 26 listed issues. 2009 was a favorable year for new listings of municipal bonds. At the end of 2009 the number of traded issues was 31, compared with 20 in 2008, 16 in 2007, 11 in 2006 and 15 in 2005 (the number of issues is reported for the end of each year). The average coupon of municipal bonds was 10.78% at the end of 2009, compared to 15.5% at the end of 2008, 8.5% in 2007, 9.8% in 2006 and 8.1% in 2005.

The total value of fixed-income trades on the BSE increased to EUR 303 Million in 2009, the highest value since the launch of bond trading on the BSE in 2001. The increase was due mostly to active trading in government bond, introduced on the BSE in 2008:



A number of 30 brokerage companies out of a total of 71 executed bond trades on the BSE in 2009, compared to 24 in 2008 and 16 in 2007.

The value of BSE derivatives trades tripled in 2009, reaching 15.9 Million EUR, from 5.3 Million in 2008 and 0.2 Million in 2007. Trades were performed mostly on the EUR/RON futures contract.

The BSE trades 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 differences. A number of 12 brokerage companies out of a total of 71 managed trades with derivatives on the BSE in 2009, compared to 15 in 2008 and 12 in 2007.

Fund units trading reached a total value of 4.9 Million EUR in 2009, compared to 7.1 Million in 2008.

The Bucharest Stock Exchange increased the maximum daily variation of stock prices from 15% to 40%, and the standard lot from 100 to 500 shares. The exchange also introduced stop loss and take profit orders.

The Central Depository (DC) launched in 2009 the RoClear system for Over-the-Counter (OTC) trades, which are allowed for fixed-income securities issued in Romania and for shares issued by foreign companies. Among the instruments registered with the system and available for OTC trading are Erste Bank, OMV and Deutsche Borse shares, EBRD19 bonds and certificates on the ROTX (Romania) and CROX (Croatia) indexes.

At the end of 2009, Sibex (the Sibiu-based Monetary-Financial and Commodities Exchange) traded 24 futures contracts and a corresponding number of options contracts. The underlying assets for the derivatives traded on Sibex are as follows: the three-month BUBOR official interest rate, gold, the exchange's in-house indexes SBX9 and SBX18, the CHF/RON, EUR/USD and RON/USD currency differences and two types of RON/EUR contracts (with different multipliers), and 15 BSE-listed shares: Banca Comerciala Carpatica, Banca Romana pentru Dezvoltare, SSIF Broker, Compa Sibiu, Erste Bank, Rompetrol Rafinare, the five financial investment companies (SIFs), Petrom, Transelectrica, Banca Transilvania and Transgaz.

Sibex also introduced in 2009 one- and two-month maturities for futures contracts, but their liquidity remained low. At the end of March the trading hours were extended from 5:15 p.m. to 6:00 p.m., but the measure was reversed starting July. The exchange also launched new financial instruments in 2009. Thus, in a first for Romania, Sibex launched CFD contracts on shares of BRD – Groupe Societe Generale, SIF Banat-Crisana, SIF Muntenia, Banca Transilvania and SSIF Broker shares listed on the BSE.

Another first for Romania was the introduction of trading of carbon dioxide emission allowances (EUA), with the first trade being recorded in January 2010 (the trade was executed by Intercapital Invest). Sibex also introduced a new trading platform, in anticipation of the launch of its own spot trading market due in early 2010. The first

issuer expected on this market is Sibex itself, by direct self-listing (without an IPO). The stock exchange already announced talks with a series of potential issuers expected to seek listing on the spot market through IPOs.
Sibex recorded total trades in 2009 of EUR 584 million, compared to 2.12 Billion EUR in 2008 and 3.52 Billion in 2007. The number of active brokers on Sibex was 38 in 2009, down from 41 in 2008, 45 in 2007 and 42 in 2006.

The number of Romanian mutual funds affiliated to the Romanian Fund Managers Association (AAF) reached 51 in December 2009, compared to 52 in December 2008, 41 at the end of 2007, 32 in 2006 and 23 in 2005. The assets of the 51 funds stood at a combined EUR 791 million, more than three-fold the value of open funds' total assets at the end of 2008 or 2007 (EUR 255 Million and 286 Million respectively).

Of total assets, 53.3% were owned by five money market funds (up from the 37.1% in 2008), 21.9% were held by 9 bond funds (25.6% in 2008), 7.7% were owned by 17 diversified funds (21.5% in 2008), 5.6% were held by 9 equity funds (9.1% in 2008) and 2.3% were held by 10 funds included in the "other funds" category (6.7% in 2008). To these adds an euro-denominated fund with assets representing 9.2% of the total.

The Mutual Funds Index (IFM), an average index reflecting the overall evolution of Romanian mutual funds, and which is calculated by Intercapital Invest, gained 16.6% in 2009, after having dropped 32.8% in 2008 and having advanced 10.1% in 2007, 10.4% in 2006 and 16.2% in 2005, respectively (IFM returns are shown in RON).

Conclusions

The substantial price increases recorded by Romanian stocks in 2009 recovered the losses of the previous year to just a small extent. If 2009 has played a role, this has been to show that we are past the crisis rock bottom.

The track towards recovery will not be an easy one. Volatility remains high, the risk aversion of local and non-resident investors will appease only gradually and liquidity will grow at a slow pace. There will be negative corrections and periods when the market will be stable or find its way through a tunnel.

Despite that, the general perspectives are favorable. The BET cumulative return for the years 2008 and 2009 remains at -58.7%, which leaves significant price increase potential for blue-chips. Medium and small-sized issuers are in a similar situation (a good part thereof did not even participate in the 2009 comeback): the cumulative return of the BET-C index for 2008 and 2009 is -64.8%.

The cumulative return for SIF shares over the same period is -73.8%, once again allowing for significant future increases in prices (the more so as plans to raise the SIF ownership cap, currently at 1%, might finalize in the first part of 2010).

In 2010 we also expect a series of important events. The launch by Sibex of its spot stock trading market could bring new issuers on the market and could also boost BSE efforts in this direction. Several important private companies are currently weighing IPOs, as banks tighten lending restrictions and there is an increased need for diversification of companies' financing sources. Thus, we might witness the resumption of the Romanian IPO market, which was interrupted by the crisis.

The Sibex self-listing will be an important event both as a test of the new spot market of the exchange, and as an gauge for the similar self-listing of the BSE, which might also finalize in 2010.

Another event running increased chances to become reality in 2010 is the listing of the Proprietatea Fund, a project all investor types are waiting for with high interest.

2010 looks promising for investors on the Romanian Capital Market, from both the viewpoint of price increases and of the completion of major new listings and IPOs. The road ahead may be bumpy, just as the previous years have not been easy for investors either. But one thing is certain: perspectives have improved.

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SSIF Intercapital Invest / www.intercapital.ro.