WOOD & COMPANY

Conpet

Hold

Maintained

Price: RON 117.8
Price target: RON 132.3
(From RON 108.0)

Dividends overflowing

Last year, Conpet's majority shareholder (the Ministry of Energy) finally approved the distribution of cash from the significant reserves accumulated by the company, and its share price reached historical highs, before correcting in the second half of the year. We anticipate more regular and special dividends to be paid this year, as the state budget needs money. Also, the company's financials remain on an upward trend, supported by: the positive macro environment; increases in oil prices and oil products consumption; and, potentially, hikes in tariffs. We have increased our net profit forecasts by 15% for 2018E and 18% for 2019E, and also added special dividends worth RON 85m in 2018E. As a result, we have increased our price target (PT) to RON 132.3/share, implying 12.3% upside. We maintain our HOLD rating.

Highest dividend yield in Romania. As the state will need money to cover the budget deficit, we forecast Conpet to pay a regular dividend, implying a yield of 7% in 2018E, and another dividend from the reserves, implying an 8% yield. Potentially also distributing out of the modernisation quota (if the state approves such a distribution) could send the total dividend yield above 25%, on our estimates.

Investments provide catalysts. Conpet still holds important cash reserves resulting from the modernisation quota. The development of oil storage facilities in Romania could provide another source of profit. The country is currently not meeting its storage obligations, as provided by EU regulations, and a harmonisation of regulations is being debated in the Chamber of Deputies after being passed by the Senate already. Once implemented, it could provide additional business to Conpet. We do not incorporate such a development in our model currently.

Positive long-term volume dynamics. We expect medium-to-long-term growth in oil consumption of 1.5% (50% of GDP growth) in Romania. While we expect domestic volumes to see a 2018-25E CAGR decline of 1.5%, due to OMV Petrom's exploration fields maturing, imported volumes should more than make up for the loss, growing at a CAGR of 4%. Still, not all the growth might be captured by Conpet. Given the high client concentration in its portfolio, we also expect a 2018-25E CAGR in tariffs below inflation, at 1%. We expect the EBIT to grow at a 2.4% 2017-25E CAGR, as a combined effect of the above.

Potential tariff hike in February. Management's previous expectations were that the regulator (ANRM) would impose another increase in tariffs in early-2018E. For the moment, the old contracts have been renewed. We see the possibility of an adjustment in tariffs with inflation and, considering that volumes are likely to remain strong, we see more upside in the financial results in 2018E. Still, considering that Conpet has only two significant clients (OMV Petrom and Lukoil), we also see a risk that the tariff could be maintained.

Risk of dilution with land plots. The risk of the dilution of the minority shareholders with the value of the land plots held by the state (valued at RON 54m) is still present, and we incorporate it into our valuation. A potential change in the legislation is being debated currently in the senate, and this could facilitate the process.

Expected events

4Q17 results	15 February 2018
Results conference call	29 March 2018

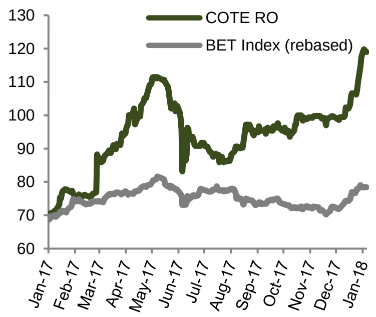
Key data

Market cap	RON 1,025m
Free float	41.3%
Shares outstanding	8.7m
3M ADTV	EUR 71k
Major shareholder	Ro State 58.7%
Bloomberg code	COTE RO
BET index	8,423.91

Price performance

52-w range	RON 68.8 – 119.8
52-w performance	73.1%
Relative performance	59%

Conpet 12M share price performance



Year	Sales (RON m)	Net profit (RON m)	Shares out (m)	EPS (RON)	EPS growth	P/E (x)	EV/EBITDA (x)	ROE (%)	DPS (RON)	Dividend yield
2015	381	63	8.7	7.3	25.2%	10.5	1.9	8.5%	7.3	9.5%
2016	382	71	8.7	8.2	12.8%	12.1	3.1	9.1%	25.4	25.6%
2017E	382	79	8.7	9.1	10.6%	12.9	4.9	10.9%	18.2	15.5%
2018E	385	80	8.7	9.2	1.3%	12.8	5.4	13.0%	12.0	10.2%
2019E	388	81	8.7	9.4	1.5%	12.6	5.5	14.3%	8.9	7.5%
2020E	393	83	8.7	9.6	2.1%	12.3	5.3	14.9%	9.1	7.7%

**adjusted with the development quota*

EQUITY RESEARCH

Analysts: Lucian Albulescu, CFA; Stefan Lungu
E-mail: lucian.albulescu@wood.cz, stefan.lungu@wood.com

Prague: +420 222 096 273
Website: www.wood.com

Contents

Closing Prices as of 30 January 2018

WOOD & Company Financial Services a.s.
Palladium, Namesti Republiky 1079/1a,
110 00 Prague 1 – Czech Republic
tel.: +420 222 096 111
fax: +420 222 096 222
http//:www.wood.cz

A dividend story

As the state will need money to cover the budget deficit, we forecast Conpet to pay a regular dividend, implying a yield of 7% in 2018E, and another dividend from the reserves, implying an 8% yield. The company holds a total of RON 344m (as of September 2017), out of which RON 209m corresponds to the modernisation quota (which is a fiscal facility similar to depreciation, and which leads to extra cash to be used only for investments). RON 85m will be deducted by year-end for a special dividend, which was paid in November 2017. This should still leave enough cash this year (RON 276m at the beginning of the year, plus another c.RON 80m in FCF) to be distributed as special dividends, to generate an additional yield ranging from 8% (if only the free cash is distributed) to more than 25%, if the state approves a distribution from the modernisation quota.

Dividend payment

Dividend payment	Regular dividend @90%	Distribution of cash not blocked by modernisation quota	Distribution of all cash
Dividend (RON m)	71	158	276
Yield	7.0%	15.6%	27.2%
Dividend per share (RON)	8.2	18.2	31.8

Source: WOOD Research

4Q17E results preview

Conpet is due to report its 4Q17E results on 15 February. We expect net profit of RON 15.9m, up 109% yoy, but 30% lower qoq. The fourth quarter is usually weaker, due to provisions for employee benefits, which we estimate at RON 6.2m.

In terms of revenues, we forecast increases of 2% yoy and 3% qoq to RON 108.9m, driven by increases in imported crude oil volumes and tariffs over the quarter, while internally-produced crude should be in line with 3Q17. The gain in revenues should be more than offset by opex being 14% higher qoq, driven mainly by the RON 6.2m employees benefits provision. We expect EBITDA of RON 30.2m, 42% higher yoy, but 19% lower qoq, which translates into a margin of 28%, compared to 20% in 4Q16. In terms of net profit, we expect a 109% increase yoy due to opex, and particularly other expenses, being 8% lower.

Conpet: 4Q17E results preview

(RON m)	4Q16	3Q17	4Q17E	yoy	qoq
Turnover	97.6	96.2	99.5	2%	3%
Total operating revenues	**107.0**	**105.5**	**108.9**	**2%**	**3%**
Transported volumes	1.8	1.8	1.9	2%	4%
opex	85.8	68.0	78.7	-8%	16%
EBITDA	**21.3**	**37.5**	**30.2**	**42%**	**-19%**
Depreciation	11.4	11.1	11.7	3%	5%
EBIT	**9.9**	**26.4**	**18.5**	**87%**	**-30%**
Financial profit	1.0	0.7	0.4	-63%	-50%
Pre-tax profit	**10.9**	**27.1**	**18.9**	**73%**	**-30%**
Profit tax	3.3	4.4	3.0	-8%	-31%
Net profit	**7.6**	**22.7**	**15.9**	**109%**	**-30%**

Source: Conpet, WOOD Research

Changes in our estimates

	2017E			2018E			2019E		
	New	Old	% chg.	New	Old	% chg.	New	Old	% chg.
Turnover	382	360	6%	385	368	4%	388	371	5%
Domestic transport	286	280	2%	286	285	0%	284	286	-1%
Import	93	77	21%	96	80	19%	101	82	23%
Modernisation quota	30	32	-6%	32	37	-14%	33	38	-14%
Total operating revenues	**417**	**406**	**3%**	**421**	**412**	**2%**	**426**	**414**	**3%**
Total volumes transported (mt)	7	7	3%	7	7	3%	7	7	5%
Personnel	111	111	0%	112	112	0%	113	113	0%
Depreciation	45	41	11%	44	41	7%	43	41	5%
Third parties	101	104	-3%	102	103	-1%	103	102	1%
Royalties	29	28	2%	29	28	0%	28	29	-1%
Others	70	73	-5%	71	72	-1%	72	71	2%
Modernisation quota	48	50	-4%	50	55	-9%	51	56	-9%
Total operating expenses	326	327	0%	329	333	-1%	333	335	-1%
EBITDA	**136**	**119**	**14%**	**136**	**120**	**13%**	**137**	**120**	**14%**
EBIT	**91**	**79**	**15%**	**92**	**79**	**16%**	**93**	**79**	**18%**
Financial profit	3	3	0%	3	3	0%	3	3	0%
Pre-tax profit	94	82	15%	95	82	15%	96	82	18%
Net profit	**79**	**69**	**15%**	**80**	**69**	**15%**	**81**	**69**	**18%**
Dividends	**158**	**89**	**76%**	**104**	**90**	**15%**	**77**	**69**	**12%**

Source: WOOD Research

Valuation

Our valuation for Conpet is based on the average of: i) our DCF calculations; and ii) a DDM valuation. As the company can more easily distribute the cash it holds as special dividends, we are not discounting the cash in the DCF valuation any more. As our dividend estimates for the next few years do not include distributing the entire cash position, however, the DDM valuation results in a lower price target (PT) than the DCF valuation, thus accounting for the delay in the distribution of cash, or the fact that it might not all be distributed in the near term.

Valuation summary

	Equity value (RONm)	Per share (RON)
1. DCF	1,167	134.8
2. DDM	1,025	118.4
Average (50:50)	**1,096**	**126.6**
Value of land plots that belong to the state	-54	-6.2
Resulting price	**1,042**	**120.4**
Adjusted with cost of equity		132.3
Current price		**117.8**
Upside		**12.3%**

Source: WOOD Research

DCF assumptions

- ✓ A risk free rate (RFR) of 4.5%
- ✓ An equity risk premium (ERP) of 5.0% and a beta of 1.1x.
- ✓ A terminal growth rate of 1.0%.

DCF valuation

	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
EBIT	**92**	**93**	**96**	**98**	**100**	**102**	**104**	**106**
Corporate tax rate [T]	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
EBIT*(1-T)=NOPAT	77	79	80	82	84	85	88	89
Depreciation & amortisation	44	43	43	42	41	40	39	40
Development quota (net)	18	18	18	18	18	18	18	18
Cash from working capital	-4	-3	-3	-3	-3	-3	-3	-3
Capex [I]	-60	-55	-50	-50	-50	-55	-60	-60
Unleveraged free cash flow [FCF]	75	82	88	89	89	85	82	84
Discount factor	0.92	0.83	0.76	0.69	0.63	0.57	0.52	0.47
Present value of FCFs [PV:FCF]	69	68	67	61	56	48	43	39
Sum of [PV:FCF]	**451**							
Long term FCF growth rate	1.0%							
Residual value at horizon (modernisation quota adjusted)	943							
PV of residual value	**445**							
Net cash	270							
EV	**1,167**							
Number of shares	**8.66**							
Equity value per share	**134.8**							

Source: WOOD Research

DDM assumptions

- ✓ We use a cost of equity of 10%, a 4.5% RFR, a 5.0% ERP and a beta of 1.1x.
- ✓ To forecast the dividends, we have applied a payout varying from 200% to 95% of net profits in 2020E. This includes special dividends paid out of the reserves.
- ✓ A 1.0% terminal growth rate.

DDM valuation

	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Dividends	157.6	103.8	77.0	78.6	80.3	81.8	83.4	85.8
Discount factor	0.96	0.87	0.79	0.72	0.66	0.60	0.54	0.49
Present value	151	90	61	57	53	49	45	42
Sum	548							
Long-term FCF growth rate	**1.0%**							
Residual value at horizon	968							
PV of residual value	477							
EV	**1,025**							
Number of shares	8.66							
Value per share	**118.4**							

Source: WOOD Research

Peer comparison

We present a comparative peer valuation for Conpet on 2018-20E P/E and EV/EBITDA multiples, as well as dividend yields. We use a peer group composed of companies that have regulated earnings as a large part of their total profit. This group includes both Western and Eastern European peers.

On a 2019E P/E of 12.6x, Conpet trades in line with the blended average of the entire group of peer companies. On a 2019E EV/EBITDA of 5.5x, the company trades at a 24% discount to its peers' average. While a discount to its Western peers is justified, in our view, by Conpet's less-efficient balance sheet (no net debt and a still high cash position), and the higher regulatory and country risks, we believe a premium is justified vs. its CEE peers, which are being affected by their generation activity and the plans to expand more into upstream, which makes their cash distributions uncertain. Conpet, in turn, pays a 10% dividend yield for 2018E and a 8% dividend yield for 2019E, on our estimates, significantly higher than the sector average.

Peer comparison

		P/E			EV/EBITDA (BEST EV)			Dividend Yield		
	Mkt Cap (USD m)	**2018E**	**2019E**	**2020E**	**2018E**	**2019E**	**2020E**	**2018E**	**2019E**	**2020E**
Transgaz Sa Medias	1,338	13.4x	13.0x	14.7x	7.0x	8.0x	n.a.	6.0%	6.2%	5.6%
Transelectrica Sa	525	16.4x	12.7x	10.6x	4.2x	4.0x	n.a.	3.3%	4.2%	5.1%
Societatea Energetica Electr	1,120	12.4x	11.7x	10.6x	5.2x	5.2x	5.7x	6.9%	7.3%	9.1%
Enagas Sa	6,613	12.6x	12.5x	11.1x	9.8x	9.7x	8.5x	6.8%	7.1%	7.5%
Snam Spa	17,237	14.3x	14.1x	13.7x	12.2x	12.1x	11.9x	5.5%	5.7%	5.8%
Engie	42,270	13.7x	12.6x	11.8x	6.2x	6.1x	5.6x	5.0%	5.4%	5.8%
Red Electrica Corporacion Sa	11,607	13.3x	12.8x	13.0x	9.2x	8.9x	9.2x	5.6%	6.0%	6.1%
Terna Spa	12,046	14.0x	13.8x	13.5x	11.2x	11.0x	10.8x	4.7%	4.9%	5.0%
Elia System Operator Sa/Nv	3,647	12.6x	13.1x	n.a.	14.3x	14.0x	n.a.	3.5%	3.6%	n.a.
Cez As	23,403	13.8x	12.6x	11.9x	7.5x	7.2x	7.0x	5.1%	5.6%	6.2%
E.On Se	11,934	11.0x	9.6x	8.6x	7.2x	7.0x	6.8x	3.4%	4.3%	4.7%
Polskie Gornictwo Naftowe I	38,234	13.3x	12.8x	12.3x	10.2x	10.0x	9.9x	5.8%	6.0%	6.1%
Enea	13,732	20.1x	20.8x	17.9x	8.0x	7.7x	7.2x	4.9%	4.5%	5.1%
PGNiG	11,568	10.8x	10.6x	10.3x	4.9x	n.a.	4.6x	4.1%	4.3%	4.2%
Tauron	1,509	4.9x	4.9x	5.9x	4.0x	3.9x	3.9x	2.6%	2.6%	2.2%
Rwe Ag	11,568	10.8x	10.6x	10.3x	4.9x	4.7x	4.6x	4.1%	4.3%	4.2%
Energa Sa	1,639	5.0x	5.1x	4.5x	4.7x	4.9x	4.9x	0.0%	2.4%	n.a.
Transgaz Sa Medias	998	4.3x	4.4x	4.9x	4.6x	4.5x	5.2x	1.6%	1.6%	1.1%
Shell Midstream Partners	5,483	16.7x	12.4x	n.a.	13.5x	10.3x	n.a.	5.1%	5.8%	6.5%
Energy Transfer Partners	23,191	15.1x	12.1x	9.8x	7.4x	6.8x	n.a.	11.9%	12.2%	11.9%
Conpet (WOOD's est.)	**276**	**12.8x**	**12.6x**	**12.3x**	**5.4x**	**5.5x**	**5.3x**	**10.2%**	**7.5%**	**7.7%**
Peers' median		**13.3x**	**12.6x**	**10.9x**	**7.3x**	**7.2x**	**6.8x**	**5.0%**	**5.2%**	**5.7%**
Premium/discount (Bloomberg est.)		**-4%**	**0%**	**13%**	**-26%**	**-24%**	**-21%**	**105.2%**	**46.2%**	**35.2%**

Source: WOOD Research

Risks

- **Regulatory risk.** We assess the regulatory risk as high, as we believe that the regulatory framework is less complex, and obsolete vs. that for the other regulated monopolies, such as Transgaz or Transelectrica. This leaves room for several interpretations, in our view, and implies a much higher dependency on the regulator's decision, which may directly influence the profit that Conpet can achieve in the future.
- **Investments needed to maintain the system in an active fashion.** The company might be subject to several investments needed in order to maintain the system as operational, and in line with the environmental regulations.
- **High dependency on a single client.** The revenues related to the services performed for OMV Petrom represented close to 70% of total revenues in 2016. Petrom's oil fields are mature and production is on a downward trend. We assess the dependency as high, representing a significant risk related to the future of Conpet.
- **Political risk.** Conpet is state-owned, with the state's decisions regarding the operation of the company affecting its profitability and financial position. While corporate governance practices (as defined by OUG 109/2011) have been implemented, there might still be misalignments between the interests of the minority shareholders and those of the state. Changes to the corporate governance practices and exceptions are being debated by parliament. Also, the company's board has been elected for a temporary period, which makes it more difficult to implement a long-term strategy.
- **Legal risks.** The Court of Accounts has asked Conpet to increase the value of the share capital with some state-owned land plots that the company is using. The share capital increase can only be performed with the presence of shareholders holding more than 75% of the shares, a quorum that has not been reached. As a consequence, the decision of the Court of Accounts could not be implemented. If implemented, Conpet would need to increase the share capital by RON 54m (the value of the land plots), representing 5% of the market cap. We have already adjusted our valuation with the value of the land plots.
- **Low market liquidity.** The average traded volumes over the past 12 months have been as low as EUR 110k per day, which creates the risk of higher price fluctuations.
- **A switch from domestic system volumes to import volumes might cause a contraction in the margin.** Our assumptions are that the overall volume of oil processed in the country should not decline significantly; instead, the decline in the oil produced internally by OMV Petrom should be replaced with imports, in our view. Currently, the profit on the import lines is lower than on the domestic pipelines, due mainly to the low capacity utilisation; however, once volumes increase, the economies of scale (as the costs are fixed, to some extent) could also help to improve margins.
- **Lukoil can switch production to Burgas.** According to company representatives, a significant increase in the tariffs charged to Lukoil for imports may not be possible, as the company could switch production to the Burgas refinery.

Financials

Income statement

RON m	2014	2015	2016	2017E	2018E	2019E	2020E
Turnover	375	381	382	382	385	388	393
Domestic transport	314	309	296	286	286	284	283
Import	59	70	82	93	96	101	107
Modernisation quota	25	31	28	30	32	33	33
Total operating revenues	**402**	**414**	**411**	**417**	**421**	**426**	**431**
Total volumes transported (mt)	*6.63*	*6.99*	*7.08*	*6.89*	*6.96*	*7.06*	*7.17*
Personnel	98	106	112	111	112	113	114
Depreciation	46	51	40	45	44	43	43
Third parties	118	108	104	101	102	103	105
Royalties	30	31	30	29	29	28	28
Others	86	75	72	70	71	72	74
Modernisation quota	58	60	55	48	50	51	51
Total operating expenses	**348**	**344**	**331**	**326**	**329**	**333**	**335**
EBITDA	**100**	**121**	**121**	**136**	**136**	**137**	**138**
EBIT	**54**	**70**	**80**	**91**	**92**	**93**	**96**
Financial profit	10	6	4	3	3	3	3
Pre-tax profit	64	75	84	94	95	96	99
Net profit	**50**	**63**	**71**	**79**	**80**	**81**	**83**
Dividends	**51**	**63**	**220**	**158**	**104**	**77**	**79**

Source: Company data, WOOD Research

Balance sheet

RON m	2014	2015	2016	2017E	2018E	2019E	2020E
Fixed assets	**419**	**402**	**406**	**393**	**391**	**385**	**374**
Current assets	**385**	**434**	**459**	**328**	**249**	**225**	**240**
Trade and other receivables	34	42	42	43	44	45	46
Cash and bank balances	343	380	408	276	196	171	185
Total assets	**804**	**836**	**865**	**721**	**640**	**610**	**614**
Equity	**723**	**765**	**796**	**655**	**577**	**554**	**560**
Long-term liabilities	6	5	5	5	5	0	0
Short-term liabilities	75	67	64	61	58	56	54
Trade and other payables	30	20	21	18	15	13	11
Other liabilities	24	26	30	30	30	30	30
Total equity and liabilities	**804**	**836**	**865**	**721**	**640**	**610**	**614**

Source: Company data, WOOD Research

Cash flow

RON m	2014	2015	2016	2017E	2018E	2019E	2020E
Pre-tax income	64	75	84	94	95	96	99
Tax	-13	-14	-13	-15	-15	-15	-16
Depreciation & amortisation	46	51	40	45	44	43	43
Other non-cash adjustments	33	29	28	18	18	18	18
Changes in working capital	14	-20	0	-4	-4	-3	-3
Other adjustments	17	-1	-9	-5	-6	-7	-6
Operating cash flow	**160**	**120**	**130**	**133**	**131**	**133**	**135**
Purchase of fixed assets	-45	-34	-45	-50	-60	-55	-50
Investing cash flow	**-45**	**-34**	**-45**	**-50**	**-60**	**-55**	**-50**
Dividends, net	-30	-51	-63	-220	-158	-104	-77
Long-term debt issued (repaid)	-2	-1	1	0	0	-5	0
Financing cash flow	**-29**	**-49**	**-59**	**-215**	**-152**	**-102**	**-69**
Cash balance changes							
Beginning cash	257	343	380	408	276	196	171
- Change in cash flow	86	37	27	-132	-80	-24	14
Ending cash	**343**	**380**	**408**	**276**	**196**	**171**	**185**

Source: Company data, WOOD Research

Ratios

	2014	2015	2016	2017E	2018E	2019E	2020E
Number of shares (m)	8.7	8.7	8.7	8.7	8.7	8.7	8.7
Price (year-end)	55.1	77.0	99.4	117.8	117.8	117.8	117.8
Net debt	-337	-376	-402	-270	-190	-171	-185
EPS (RON)	5.83	7.30	8.23	9.10	9.22	9.36	9.56
- EPS growth	61%	25%	13%	11%	1%	2%	2%
Dividend (RONm)	51.4	63.2	219.9	157.6	103.8	77.0	78.6
DPS (RON)	5.94	7.30	25.40	18.21	11.98	8.89	9.08
- Payout ratio	102%	100%	308%	200%	130%	95%	95%
Dividend yield	11%	9%	26%	15%	10%	8%	8%
BVPS (RON)	83.6	88.3	91.9	75.6	66.6	64.0	64.7
ROE	7%	8%	9%	11%	13%	14%	15%
PER (x)	9.4	10.5	12.1	12.9	12.8	12.6	12.3
EV/EBITDA (x)	1.4	2.4	3.8	5.5	6.1	6.2	6.0
EV/EBITDA (x) -adj. for development quota	1.0	1.9	3.1	4.9	5.4	5.5	5.3
P/BV	0.7	0.9	1.1	1.6	1.8	1.8	1.8

Source: Company data, WOOD Research

Important disclosures

This investment research is published by WOOD & Company Financial Services, a.s. ("WOOD&Co") and/or one of its branches who are authorised and regulated by the CNB as Home State regulator and in Poland by the KNF, in Slovakia by the NBS, in Italy by the CONSOB and in the UK by the FCA as Host State regulators.

WOOD's ratings and price targets history for Conpet

Rating		Price target	
22/10/2015	HOLD	22/10/2015	RON 74.3
		08/02/2017	RON 105.3
		29/06/2017	RON 108.0
		31/01/2018	RON 132.3

Explanation of Ratings

BUY: The stock is expected to generate total returns of over 15% during the next 12 months as measured by the price target.
HOLD: The stock is expected to generate total returns of 0-15% during the next 12 months as measured by the price target.
SELL: The stock is expected to generate a negative total return during the next 12 months as measured by the price target.
RESTRICTED: Financial forecasts, and/or a rating and/or a price target is restricted from disclosure owing to Compliance or other regulatory/legal considerations such as a blackout period or a conflict of interest.
NOT RATED: Suspension of rating after 30 consecutive weekdays where the current price vis-à-vis the price target has been out of the range dictated by the current BUY/HOLD/SELL rating.
COVERAGE IN TRANSITION: Due to changes in the Research team, the disclosure of a stock's rating and/or price target and/or financial information are temporarily suspended.

Equity Research Ratings (as of 31 January 2018)

	Buy	Hold	Sell	Restricted	Not rated	Coverage in transition
Equity Research Coverage	46%	46%	7%	0%	N.A.%	1%
IB Clients	1%	1%	N.A.	N.A.	N.A.	N.A.

Securities Prices

Prices are taken as of the previous day's close on the home market unless otherwise stated.

Valuation & Risks

Analysis of specific risks to set stock target prices highlighted in our investment case(s) are outlined throughout the report. For details of methodologies used to determine our price targets and risks related to the achievement of the targets referred to in the main body of the report or at **http://www.wood.com** in the Section Corporate Governance or via the link **http://www.wood.com/research.html**
Users should assume that the investment risks and valuation methodology in Daily news or flash notes not changing our estimates or ratings is as set out in the most recent substantive research note on that subject company and can be found on our website at **www.wood.com**

Wood Research Disclosures (as of 31 January 2018)

Company	Disclosures
Alior Bank	5
AmRest	5
Astarta	5
AT&S	5
Bogdanka	5
BRD	5
Bucharest Stock Exchange	5
BZ WBK	5
CA Immo	5
CCC	5
CD Projekt	5
CETV	5
CEZ	5
Ciech	5
Conpet	1
Cyfrowy Polsat	5
Dino	5
DO&CO	1, 5
Electrica	5
Enea	5
Energa	5
Erste Group Bank	5
Eurocash	5
Fortuna	5
S.C. Fondul Proprietatea S.A.	1, 4, 5
Getin Noble Bank	5
GTC	5
Handlowy	5
ING BSK	5
ITG	1, 3
Immofinanz	5
IPF	5
JSW	5
Kernel	5
KGHM	5
Komercni	5
Kruk	5
Lotos	5
LPP	5
mBank	5
MedLife	1, 2, 3
Millennium	5
MOL	5
MONETA Money Bank	1, 2, 3, 5
Netia	5
OMV	5
Orange PL	5
Pekao	5
PGE	5
PGNiG	5
Philip Morris	5
PKO BP	1, 2, 3, 5
PKN Orlen	5
PKP Cargo	5
PZU	5
RBI	5
RC2	4
Romgaz	5
SIF2	10
SNP – OMV Petrom	3, 5
Stock Spirits	5

O2 CR	**1, 4, 5**
Banca Transilvania	**5**
Transelectrica	**5**
Transgaz	**1, 5**
Unipetrol	**5**
WSE	**1**
Warimpex	**1, 5**

#	Description
1	The company currently is, or in the past 12 months was, a client of WOOD&Co or its affiliated companies for the provision of investment banking services.
2	In the past 12 months, WOOD&Co or its affiliated companies have received compensation for Corporate Finance/Investment Banking services from this company.
3	In the past 12 months, WOOD&Co or any of its affiliated companies have been lead manager, co-lead manager or co-manager of a public offering of the company's financial instruments.
4	WOOD&Co acts as corporate broker to this company and/or WOOD&Co or any of its affiliated companies may have an agreement with the company relating to the provision of Corporate Finance/Investment Banking services.
5	WOOD&Co or any of its affiliated companies is a market maker or liquidity provider in relation to securities issued by this company.
6	In the past 12 months, WOOD&Co, its partners, affiliated companies, officers or directors, or any authoring analyst involved in the preparation of this investment research has provided services to the company for remuneration, other than normal course investment advisory or trade execution services.
7	Those persons identified as the author(s) of this investment research, or any individual involved in the preparation of this investment research, have purchased/received shares in the company prior to a public offering of those shares, and the price at which they were acquired along with the date of acquisition are disclosed above.
8	The authoring analyst, a member of the authoring analyst's household, or any individual directly involved in the preparation of this investment research has a direct ownership position in securities issued by this company.
9	A partner, director, officer, employee or agent of WOOD&Co and its affiliated companies, or a member of his/her household, is an officer, or director, or serves as an advisor or board member of this company.
10	As of the month end immediately preceding the date of publication of this investment research WOOD&Co or its affiliate companies, in the aggregate, beneficially owned 1% or more of any class of the total issued share capital or other common equity securities of the company or held a material non-equity financial interest in this company.
11	As of the month end immediately preceding the date of publication of this investment research the relevant company owned 1% or more of any class of the total issued share capital in WOOD&Co or any of its affiliated companies.
12	Other specific disclosures as described above.

WOOD & Company announces that its affiliated company WOOD & Company Funds SICAV p.l.c (through its mutual funds) increased its stake in Pegas Nonwovens to 25.28%. Some entities of WOOD & Company Group are investors of these mutual funds.

The authoring analysts who are responsible for the preparation of this investment research have received (or will receive) compensation based upon (among other factors) the Corporate Finance/Investment Banking revenues and general profits of WOOD&Co. However, such authoring analysts have not received, and will not receive, compensation that is directly based upon or linked to one or more specific Corporate Finance/Investment Banking activities, or to recommendations contained in the investment research.

WOOD&Co and its affiliated companies may have a Corporate Finance/Investment Banking or other relationship with the company that is the subject of this investment research and may trade in any of the designated investments mentioned herein either for their own account or the accounts of their customers, in good faith or in the normal course of market making. Accordingly, WOOD&Co or their affiliated companies, principals or employees (other than the authoring analyst(s) who prepared this investment research) may at any time have a long or short position in any such designated investments, Related designated investments or in options, futures or other derivative instruments based thereon.

WOOD&Co manages conflicts of interest arising as a result of preparation and publication of research through its use of internal databases, notifications by the relevant employees and Chinese Walls as monitored by Compliance. For further details see our website at **www.wood.com** in the Section Corporate Governance or via the link **http://www.wood.com/research.html**

The information contained in this investment research has been compiled by WOOD&Co from sources believed to be reliable, but (with the exception of the information about WOOD&Co) no representation or warranty, express or implied, is made by WOOD&Co, its affiliated companies or any other person as to its fairness, accuracy, completeness or correctness. WOOD&Co has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this investment research constitute WOOD&Co' judgement as of the date of this investment research, are subject to change without notice and are provided in good faith but without legal responsibility or liability.

WOOD&Co salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desk that reflect opinions that are contrary to the opinions expressed in this investment research. WOOD&Co's affiliates, proprietary trading desk, and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this investment research.

This investment research is provided for information purposes only and does not constitute an offer or solicitation to buy or sell any designated investments discussed herein in any jurisdiction where such offer or solicitation would be prohibited. As a result, the designated investments discussed in this investment research may not be eligible for sale in some jurisdictions. This investment research is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to clients and does not have regard to the investment objectives, financial situation or particular needs of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision. To the fullest extent permitted by law, none of WOOD&Co, its affiliated companies or any other person accepts any liability whatsoever for any direct or consequential loss arising from or in connection with the use of this material.

For United Kingdom or European Residents:

This investment research is for persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restrictions in section 21 of the Financial Services and Markets Act 2000 (or any analogous legislation) on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Article 19(5) (Investment Professionals) and 49(2) (High Net Worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This material is not for distribution in the United Kingdom or Europe to retail clients, as defined under the rules of the Financial Conduct Authority.

For United States Residents:

This investment research distributed in the United States by WOOD&Co, and in certain instances by Brasil Plural Securities LLC ('Brasil Plural'), a U.S registered broker dealer, only to "major U.S. institutional investors", as defined under Rule 15a-6 promulgated under the US Securities Exchange Act of 1934, as amended, and as interpreted by the staff of the US Securities and Exchange Commission. This investment research is not intended for use by any person or entity that is not a major U.S institutional investor. If you have received a copy of this research and are not a major U.S institutional investor, you are instructed not to read, rely on or reproduce the contents hereof, and to destroy this research or return it to WOOD&Co or to Brasil Plural. Analyst(s) preparing this report are employees of WOOD&Co who are resident outside the United States and are not associated persons or employees of any US registered broker-dealer. Therefore the analyst(s) are not be subject to Rule 2711 of the Financial Industry Regulatory Authority (FINRA) or to Regulation AC adopted by the U.S Securities and Exchange Commission (SEC) which among other things, restrict communications with a subject company, public appearances and personal trading in securities by a research analyst. Any major U.S Institutional investor wishing to effect transactions in any securities referred to herein or options thereon should do so by contacting a representative of Brasil Plural Securities LLC. Brasil Plural is a broker-dealer registered with the SEC and a member of FINRA and the Securities Investor Protection Corporation. Its address is 545 Madison Avenue, 8th Floor, New York, NY 10022 and its telephone number is 212-388-5613. WOOD&Co is not affiliated with Brasil Plural Securities LLC or any other U.S registered broker-dealer.

WOOD & COMPANY

CONTACTS

Czech Republic
namesti Republiky 1079/1a
Palladium
110 00 Praha 1
Czech Republic
Tel +420 222 096 111
Fax +420 222 096 222

Poland
Skylight Zlote Tarasy
Zlota 59
00 120 Warszawa
Poland
Tel +48 22 222 1530
Fax +48 22 222 1531

UK
City Point, 11th Floor
1 Ropemaker Street
London EC2Y 9HT

Tel +44 20 3530 0691

Italy
Via Vittor Pisani, 22
20124 Milan
Italy

Tel + 39 02 67910 963

Kristen Andrasko/ Sadiq Razak
Co-Heads of Equities
+420 222 096 253/
+44 20 3530 0681
kristen.andrasko@wood.com
sadiq.razak@wood.com

Bloomberg page
WUCO

www.wood.com

Romania
Metropolis Center
89-97 Grigore Alexandrescu St.
010624 Bucharest 1
Tel.: +40 316 30 11 81

Research

Co-Head of Research/ Head of Research Poland
Marta Jezewska-Wasilewska
+48 22 222 1548
marta.jezewska-wasilewska@wood.com

Co-Head of Research/Head of Greek Research
Alex Boulougouris
+30 211 106 9447
alex.boulougouris@wood.com

Head of Turkish Equity Research
Oytun Altasli
+44 203 530 0627
oytun.altasli@wood.com

Macroeconomics
Raffaella Tenconi
+44 20 3530 0685
raffaella.tenconi@wood.com

Head of Consumer/Industrials
Lukasz Wachelko
+48 22 222 1560
lukasz.wachelko@wood.com

Romania
Lucian Albulescu
+420 222 096 273
lucian.albulescu@wood.com

Utilities/Mining/Pharma
Bram Buring
+420 222 096 250
bram.buring@wood.com

Macroeconomics
Leo Wang
+44 20 3530 0685
leo.wang@wood.com

Energy
Jonathan Lamb
+44 20 3530 0621
jonathan.lamb@wood.com

Financials/Turkey
Can Demir
+44 20 3530 0623
can.demir@wood.com

Non-banks financials
Jerzy Kosinski
+48 22 222 1564
jerzy.kosinski@wood.com

Metals/Mining
Andy Jones
+44 20 3530 0629
andrew.jones@wood.com

Real Estate
Jakub Caithaml
+420 222 096 481
jakub.caithaml @wood.com

Consumer/Industrials
Maciej Wardejn
+48 22 222 1546
maciej.wardejn@wood.com

Poland
Pawel Wieprzowski
+48 22 222 1549
pawel.wieprzowski@wood.com

Poland/TMT
Piotr Raciborski
+48 22 222 1551
piotr.raciborski@wood.com

Consumer/Industrials
Gabriela Burdach
+48 22 222 1545
gabriela.burdach@wood.com

EMEA TMT & Industrials/Turkey
Atinc Ozkan
+90 542 202 3632
atinc.ozkan@wood.com

Energy
Ondrej Slama
+420 222 096 484
ondrej.slama@wood.com

Russia
Ildar Davletshin
+44 203 530 0631
ildar.davletshin@wood.com

Consumer
Jakub Mician
+420 222 096 320
jakub.mician@wood.com

Romania
Stefan Lungu
+44 203 530 0694
stefan.lungu@wood.com

Greece
Fani Tzioukalia
+30 211 106 9449
fani.tzioukalia@wood.com

Sales

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

Jan Koch
+48 22 222 1616
jan.koch@wood.com

Piotr Kopec
+48 22 222 1615
piotr.kopec@wood.com

Ioana Pop
+44 20 3530 0693
ioana.pop@wood.com

Vinay Ruparelia
+44 20 3530 0624
vinay.ruparelia@wood.com

Grzegorz Skowronski
+48 22 222 1559
grzegorz.skowronski@wood.com

Jan Thomson
+44 20 3530 0686
jan.thomson@wood.com

Jarek Tomczynski
+44 203 530 0688
jarek.tomczynski@wood.com

Kostas Tsigkourakos
+30 694 082 5810
kostas.tsigkourakos@wood.com

Markus Ulreich
+421 2 3240 9046
markus.ulreich@wood.com

Tatiana Sarandinaki
Brasil Plural in association with WOOD&Co.
+1 212 388 5613
tsarandinaki@wood-brasilplural.com

Adrian Fekula
Brasil Plural in association with WOOD&Co.
+1 212 388 5612
afekula@wood-brasilplural.com

Sales Trading and Execution Services

Ashley Keep
+44 20 3530 0683
ashley.keep@wood.com

Jennifer Ewing
+44 20 3530 0692
jennifer.ewing@wood.com

Zuzana Mora
+420 222 096 283
zuzana.mora@wood.com

Audrey Parker
+44 20 3530 0695
audrey.parker@wood.com

Ermir Shkurti
+420 222 096 847
ermir.shkurti@wood.com

Martin Stuchlik
+420 222 096 855
m.stuchlik2@wood.com

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

RECENTLY PUBLISHED REPORTS

Date	Company/Sector	Title	Analyst
30/01/18	Russian Equity Strategy 2018	Russian equities: BUY with caution	Ildar Davletshin, Lukasz Wachelko
26/01/18	Wirtualna Polska	In e-commerce we trust	Piotr Raciborski, Lukasz Wachelko
23/01/18	OMV	Hitting cruise control	Jonathan Lamb, Ondrej Slama
18/01/18	Electrica	Powering up again	Lucian Albulescu, Stefan Lungu
12/01/18	PGNiG	Clouds clearing, time for PGNiG	Jonathan Lamb, Ondrej Slama
12/01/18	Raiffeisen Bank International	Risk costs reversal already appreciated	Marta Jezewska-Wasilewska, Jerzy Kosinski
11/01/18	Echo Investment	Sounds good	Jakub Caithaml, Alex Boulougouris