



Investment opportunity

Bulgarian Electricity Distribution and Supply Sector

December 2011

Agenda

1. **Executive Summary**
2. The Investment Intermediary Bulbrokers
3. Overview of EVN Bulgaria Elektrorazpredelenie and EVN Bulgaria Elektrosnabdyavane
4. Transaction Considerations

Executive summary

Bulbrokers is a leading investment intermediary with extensive experience and know-how in the field of privatization, capital markets, corporate finance, mergers and acquisitions, public offerings, financial restructurings, etc. with 100% successfully completed mandates.

In line with the States intentions to privatise its minority stakes in EVN Bulgaria Elektrorazpredelenie and EVN Bulgaria Elektrosnabdyavane, the investment intermediary Bulbrokers would like to present herewith its credentials and strategic approach to the potential transactions which are currently under consideration:

- **The Opportunity** | The State is currently in the process of launching a privatisation procedure through the Privatisation Agency, whereby its 33 per cent stake in the electricity distribution companies EVN Bulgaria Elektrorazpredelenie and EVN Bulgaria Elektrosnabdyavane is to be divested through public offerings on the regulated market.
- **Potential** | The opportunity represents a strong platform to enhance operations of existing strategic players and/or new market entrants.
- **Credentials and experience of the Advisory Team** | Our Team have the relevant experience, seniority, knowledge and understanding of the process, the Bulgarian economy, current legislation and the Energy sector. We believe that our strong understanding of the underlying process is considered to be crucial in this project.

We are confident that Bulbrokers' strength and reach coupled with the track record of accomplished transactions in the area will give sufficient comfort regarding the capabilities and expertise to execute and close such transactions successfully.

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Bulbrokers, a leading investment intermediary and brokerage house, is among the most innovative participants on the Bulgarian capital market.

It has recently completed an integration process following a merger with the forex-market broker STS Finance.

Having participated in some of the **most significant and large-scale** transactions in Bulgaria, the Company is able to provide holistic, strategic and full service approach to client needs.

Investment services

Primary brokerage

Large orders handling

Integrated on-line trading

REPO transactions

OTC deals

Bulbrokers acts as a securities broker and a custodian for **M&A and privatisation transactions**, IPOs and SPOs, and public tenders and in cooperation with Financia group offers **a one-stop-shop for high-level value added services**.

Facts & Figures

1 000 000 000*	Client's Assets
25 000	Individual and Blue chip Corporate Clients
3 765	Executed deals on BSE 2010
90	markets in 17 countries - trading operations coverage
24	hour dealing service
14	years experience in the Financial sector
2	totally integrated independent on-line trading platforms
#2	in "Investment product " and "Innovation and Quality" 2011
#1	in terms of turnover and number of transactions executed on BSE 2006&2007

* BGN

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EVN ER § EVN ES

EVN Bulgaria Elektorazpredelenie

- **Scope of activity :**
 - Operation and management of the electricity distribution network, consisting of MV, LV and HV electricity power lines and electricity systems, which is used for transmission and distribution of electric power in order to supply electricity to supplier companies;
 - Electricity distribution on the territory of South-East Bulgaria;
 - Construction of new electricity distribution and metering systems and maintenance of the operated facilities and equipment.
- **Shareholder structure:**
 - 67% - EVN AG Austria
 - 33% - State Consolidation Company
- **Share capital:** BGN 1 564 000, distributed in 156 400 shares
- **License:** The company has been granted a license for energy distribution, issued by the State Energy and Water Regulatory Commission (SEWRC) for a period of 35 years, expiring 13.08.2039 r.

The company executes its activity in conformity with the energy legislation in force, regulated by the Energy Act and the related legal provisions.

EVN Bulgaria Elektrosnabdyavane

- **Scope of activity :**
 - Electricity supply, product and service development, marketing and sales strategy, LV and MV customer service on general and individual basis.
- **Shareholder structure:**
 - 67% - EVN AG Austria
 - 33% - State Consolidation Company
- **Share capital:** BGN 1 882 000 , distributed in 188 200 shares
- **License:** The company has been granted a license for energy supply, issued by the State Energy and Water Regulatory Commission (SEWRC) for a period of 35 years, expiring 13.08.2039 r.

The company executes its activity in conformity with the energy legislation in force, regulated by the Energy Act and the related legal provisions.

EVN ER
§
EVN ES

- Licensed territory: South-east Bulgaria
- Coverage: 42 000 sq.km
- Residents: 1.6 mn
- Market share: 28%

EVN
bulgaria

Statements of Operations and Comprehensive Income

(BGN '000)	2010	2009	2008
Revenue from electricity distribution	323 185	354 240	356 440
Revenue from other serviced	19 928	20 590	12 047
Other operating revenue	1 639	2 725	4 777
Cost of goods sold	(53)	(650)	(23)
Capitalized cost	6 086	8 482	2 368
Technological losses	(99 679)	(104 440)	(96 849)
Income/ (loss) on impairment	(2 311)	(1 236)	(22 707)
Cost of materials	(21 669)	(20 876)	(29 255)
Cost of services	(44 927)	(45 309)	(50 898)
Amortization and depreciation	(71 752)	(75 678)	(55 920)
Personnel expenses	(64 443)	(65 218)	(63 916)
Other operating expenses	(3 539)	(7 992)	(20 988)
Profit from Operating activities - EBIT	42 465	64 638	35 076
Financial income/expenses - net	2 268	(5 315)	2 207
Profit before tax	44 733	59 323	37 283
Tax, net	(4 812)	(6 818)	(3 932)
Net profit	39 921	52 505	33 351

Statements of Financial position

(BGN '000)	2010	2009	2008
Assets			
Non – current assets	684 906	646 493	592 777
<i>Property, plant and equipment</i>	<i>657 509</i>	<i>622 726</i>	<i>571 604</i>
Total current assets	76 445	89 980	88 883
Total Assets	761 351	736 473	681 660
(BGN'000)	2010	2009	2008
Equity and liabilities			
Registered capital	1 564	1 564	1 564
Reserves	466 970	419 465	71 775
Retained earnings/ (Accumulated loss)	39 921	52 505	347 690
Total equity	508 455	473 534	421 029
Liabilities			
Total non-current liabilities	193 152	183 857	171 780
Total current liabilities	59 744	79 082	88 851
Total liabilities	252 896	262 939	260 631
Total Equity and Liabilities	761 351	736 473	681 660

(BGN '000)	2010	2009	2008
Key financial indicators and other data			
Return on assets - ROA (%)	5.3	7.4	5.1
Return on equity - ROE (%)	8.1	11.7	8.3
Earnings per share (BGN)	255.3	335.7	213.2
Number of outstanding shares	156 400	156 400	156 400
Registered capital (BGN)	1 564 000	1 564 000	1 564 000
Dividend per share (BGN)	-	32.0	-
Asset turnover	0.4	0.5	0.6
Operating margin (%)	13.1	18.3	9.8
Equity - to - assets ratio (%)	66.8	64.3	61.8

Statements of Operations and Comprehensive income

(BGN '000)	2010	2009	2008
Revenue from electricity sales	638 582	684 818	624 009
Other operating revenue	13 638	19 431	18 934
Cost of goods sold	(624 350)	(665 252)	(613 427)
Income/ (loss) on impairment	(3 121)	(1 265)	(13 459)
Cost of materials	(53)	(42)	(27)
Cost of services	(9 398)	(7 593)	(6 155)
Cost of intragroup services	(9 061)	(10 488)	(7 189)
Amortization and depreciation	(1)	(1)	(1)
Personnel expenses	(1 327)	(1 116)	(1 274)
Other operating expenses	2 750	(18 467)	(1 346)
Profit from Operating activities - EBIT	7 659	25	65
Financial income/expenses - net	4	84	(154)
Profit before tax	7 663	109	(89)
Tax, net	434	(1 517)	162
Net profit/(loss)	8 097	(1 408)	73

Statements of Financial position

(BGN '000)	2010	2009	2008
Assets			
Non – current assets	5 122	4 112	4 494
Current assets	147 947	153 546	157 579
Total Assets	153 069	157 658	162 073
Equity and liabilities			
(BGN'000)			
Equity and liabilities	2010	2009	2008
Registered capital	1 882	1 882	1 882
Reserves	64 213	64 213	9 888
Retained earnings/ (Accumulated loss)	6 689	(1 408)	54 325
Total equity	72 784	64 687	66 095
Liabilities			
Total non-current liabilities	947	339	79
Total current liabilities	79 338	92 632	95 899
Total liabilities	80 285	92 971	95 978
Total Equity and Liabilities	153 069	157 658	162 073

(BGN '000)	2010	2009	2008
Key financial indicators and other data			
Return on assets - ROA (%)	5.2	(0.9)	0.1
Return on equity - ROE (%)	11.8	(2.2)	0.1
Earnings per share (BGN)	43.0	(7.5)	0.4
Number of outstanding shares	188 200	188 200	188 200
Registered capital (BGN)	1 882 000	1 882 000	1 882 000
Dividend per share (BGN)	-	-	-
Asset turnover	4.1	4.3	4.1
Operating margin (%)	1.2	0.0	0.0
Equity - to - assets ratio (%)	47.6	41.0	40.8

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Transaction considerations

PRIVATISATION PROCEDURE

Disposal of minority stake

(Transaction for State's 33% stake)

- Public offering of:
 - 51 612 shares or 33% of share capital of EVN Bulgaria Elektrorazpredelenie
 - 62 106 shares or 33% of share capital of EBH EVN Bulgaria Elektrosnabdyavane
 - The proposed method for privatisation is a secondary public offering on Bulgarian Stock Exchange (BSE)

METHOD

Capital markets disposal

- The Companies' shares are offered by the Republic of Bulgaria through the Agency for Privatization and Post Privatization Control.
- Admission to trading on a regulated market has been approved by the Financial Supervision Commission on 06.12.2011
- Share trading on BSE will start on 21.12.2011

Auction

STRATEGY

- The sale is to be executed on **Privatisation segment** on Bulgarian Stock Exchange
- Platform: **RTS**
- Type of auction: **Closed-mixed auction**
- Structuring of the offered package : **one lot = one share**
- Nominal price per share: **BGN 10**
- Starting price per share:
 - **EVN ER - BGN 1 373.92**
 - **EVN ES - BGN 120.31**

Transaction considerations (cont'd)

- The Companies' shares shall be offered to potential investors through secondary public offering on Privatisation segment of BSE via a Closed-mixed auction.
- Offers to participate in the auction can be placed between 10:00h and 11:00h (Eastern European time) from December 21, 2011, while secondary trading of shares can take place on BSE from the same date within the trading session on the Exchange.
- Any interested investor can place its offers through a chosen investment intermediary – member of BSE.
- Each participant may enter unlimited number of limit orders in the trading platform, and these may be executed partially. Each participant may also enter market orders. *
- The minimum number of shares potential investors can buy is one share, while the maximum number is equal to the offered packages of 33 % .
- Every investor may withdraw its bid not later than the end of the auction.
- The structure of the offered package is one lot - one share.
- According to the auction algorithm, in case there are shares unsold, they will be auctioned on every trading day within the next 30 days.
- "Central Depository" AD is the institution that organizes the settlement of all transactions concluded on the Privatisation segment, on BSE.

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