

**GENESIS ENERGY:
A SUNNY FUTURE?**

**TARGET PRICE:
HUF 2,800-3,500**

**Reuters: NOV.T.BU
Bloomberg: GENESIS HB**

21 June 2007



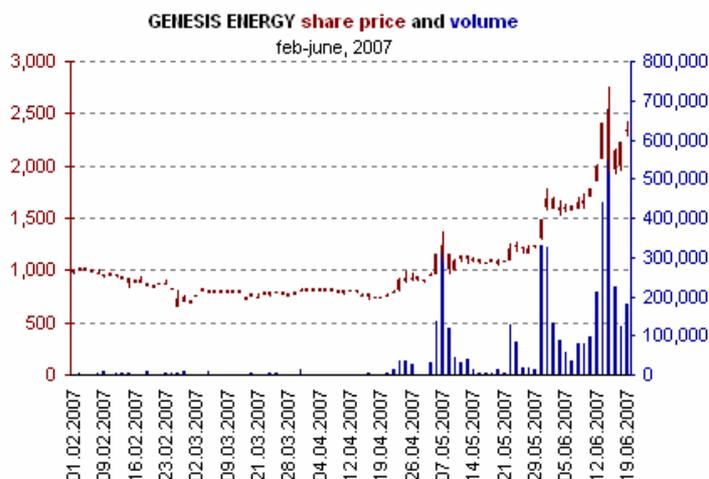
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Sector: alternative energy
Price: HUF 2.300
Market Cap: HUF 15.63 bn
Free-float: 22.5%
Avg. Daily Turnover(BSE): HUF 82 m (feb-june 2007)

Price change 3 months: 196.8%
Price change 1 year: 476.4%

Volatility 3 months: 101.9
Volatility 1 year: 83.3

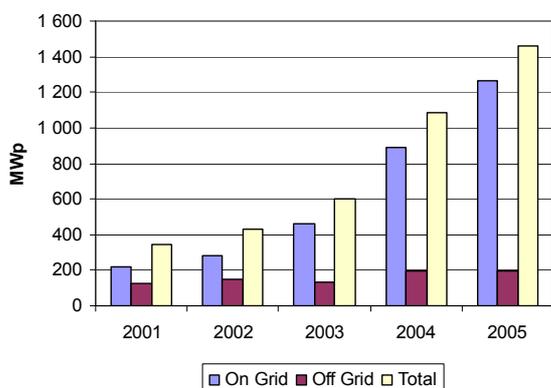


Genesis Solar Hungary's financial forecast

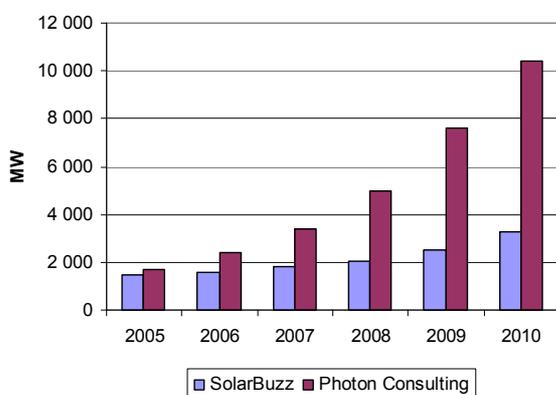
m EUR	2008	2009	2010	2011	2012
Production (MWp)	-	10,5	70,8	78,4	80,0
Revenues	-	23,7	159,6	176,7	176,4
EBITDA	-1,4	1,3	16,7	81,7	80,8
Profit before taxes	-1,1	-16,2	45,1	61,8	61,8
Free Cash Flow	-31,0	-68,0	64,0	68,0	62,0

- **Strategic change:** the company, which recently changed its name from Novotrade to Genesis Energy, has now shifted over to alternative energy from its earlier operations with a commercial focus.
- Genesis intends to commence the planned manufacture of solar cells, based on a new technology, in 2009. The new technology allows for the manufacturing of solar panels with a much larger size of 5.7m².
- Production will take place using thin-layer technology, a solution that saves on raw materials (silicon) and which involves around 40% lower production costs, compared to traditional wafer-based technologies.
- According to the plans, solar cell production plants with a total capacity for around 250-300 MWp /year will be implemented at 3 factories (Genesis Solar Hungary, Genesis Solar España and Genesis Solar Singapore) by 2010, by means of which Genesis - depending on developments in relation to the size of the market - may acquire a 4-8% share in the global market.
- The financing of the investment projects will be realised partly from existing shareholders' equity and the issue of new shares, and partly through state subsidies and by means of bank loans.
- According to management expectations, investment in the first plant will commence in the 3rd quarter of 2007.

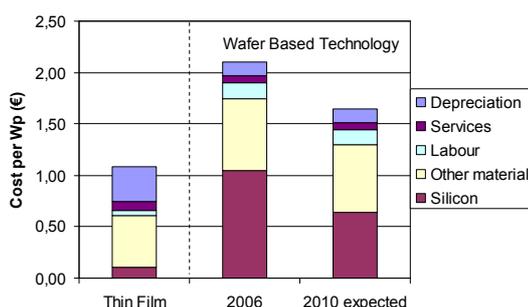
Total Worldwide Annually Installed Solar Photovoltaic Systems in MWp



World Market in MW 2006-2010 Forecasts



Cost Comparison Thin Film vs. Wafer PV



- The basis for Genesis' plans is provided to a large extent by the dynamic expansion in the solar energy sector: in the last five years the sector has grown by an annual average of 30%, with experts anticipating a five-fold increase in size by 2010, by comparison with 2005.
- The investment history of Genesis has triggered a considerable price rise, which may continue in future if the plans prove sustainable and the investment projects and production begin in accordance with the planned timetable.
- While at the same time the story includes significant risks, since the price is fully dependent on the future realisation of plans, and if any delays or changes of plans occur, or they fail to materialise, this may result in significant price falls.
- A private increase in capital is currently being conducted at the company at a price of HUF 2,800/share (above the current market price), for which the major shareholder has undertaken a subscription guarantee. This may serve to increase investor confidence.
- Using traditional methods Genesis shares may only be valued alongside major restrictions, and the resultant values, in our opinion, may only be applied with the use of considerable discounts because of the high level of risks.
- Conclusions in respect of valuation: in the current situation, allowing for the valuation result with a 60% discount, we consider a price band of between HUF 2,800 and HUF 3,500 realistic, which may vary continually in future in proportion to realisation of individual elements of the plan.

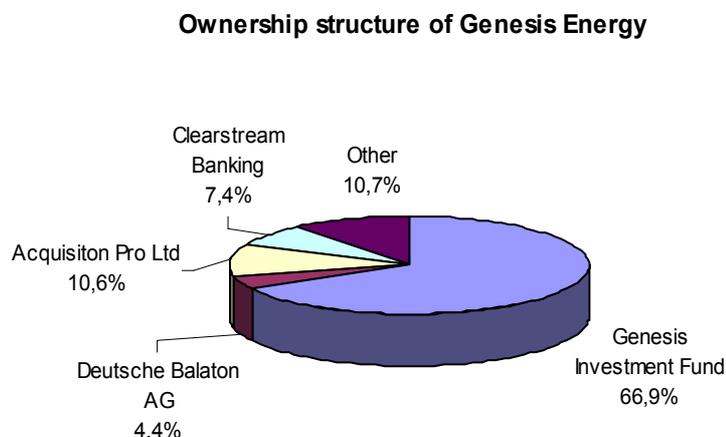
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GENESIS: A SUNNY FUTURE?

1 Events of the past months

Novotrade's largest shareholder, Genesis Investment Funds Ltd., decided to transform the Company's operations in the middle of 2006, and as a result of a capital increase and a public purchase offer, its shareholding rose to 70.6%. At the end of 2006 Novotrade changed its corporate name to Genesis Energy Investment Plc.



The Company cut back on its earlier operations and set an objective of constructing and operating solar panel production plants in Hungary, Spain and Singapore. As part of the new strategy, the Company purchased 100% of Spanish registered company Genesis Solar (España) S.L. in October 2006. The total value of this controlling influence did not exceed HUF 100 million. By taking up regional development funds for Andalusia, the Company has taken the first steps towards constructing a plant that produces photovoltaic solar panels, similar to the one planned in Hungary.

In order to finance the implementation of investment projects, the Board of Directors of Genesis adopted a resolution at the end of May 2007 to carry out a capital increase privately, during which the Company would issue 1.2 million shares (in the event of over-subscription no more than 3.2 million shares), each at a price of HUF 2,800. Genesis Investment Funds Ltd. has undertaken a subscription guarantee to ensure the success of the capital increase.

Pursuant to a decision adopted on 12 June 2007 by the Government of Andalusia, the Spanish subsidiary of Genesis Energy - Genesis Solar España S.L. - has received an investment incentive subsidy of 14.67 million euro. The subsidiary is constructing a plant to make thin-layer technology solar panels at Technobahia Cadiz industrial park, El Puerto de Santa Maria, near Cadiz, with an annual capacity achieving output of 80-100MWp. The subsidy application previously submitted to the Spanish central government by Genesis Solar España is to be assessed at the end of June, and a decision on subsidy by the Hungarian government is also anticipated in the near future.

The news, events and expectations described above have also had an impact on trading in the Company's shares, having resulted in a considerable increase in share price in the past few weeks, with exceptionally high turnover.

2 Solar energy: a dynamically developing sector

The solar energy sector - in conjunction with other alternative energy sectors - has increasingly come under the spotlight of investors in recent years, primarily due to the following factors:

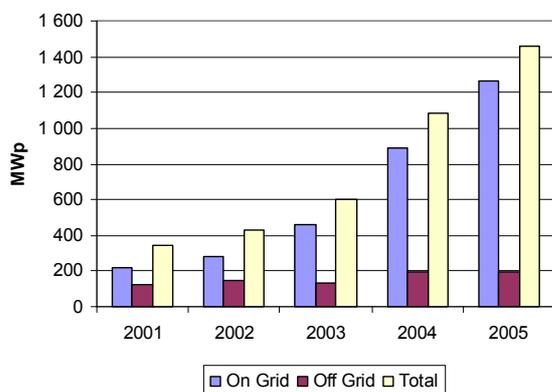
- the price of traditional fuels has risen considerably in recent years: oil prices have doubled in 3 years;
- problems related to climate change have given greater cause for concern and are increasingly attracting attention;
- a continually stronger effort to enhance the role of renewable sources of energy, the EU goal is for the share of green energy to reach 20% within 10 years;
- based on the above, state subsidies to this segment have been granted strategic focus and have considerably increased in value;
- the market revealed an average annual expansion of 30% in the last 5 years.

Among renewable sources of energy, solar power is one of the most thriving sectors, given that this source of energy is effectively inexhaustible. Since 2000 the electrical output of solar panel cells sold throughout the world has expanded on an annual average between 35% and 40%, and according to forecasts from industry experts the sector will achieve further significant growth in future years. The potential for growth is also enhanced by the fact that among primary sources of energy, solar power currently holds a share of just 0.2%, and it could therefore take decades for the market to mature or become saturated.

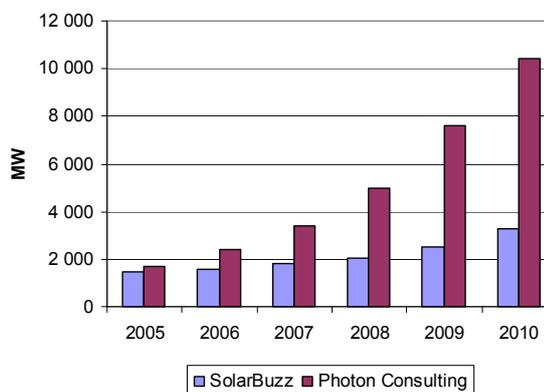
In addition to the price increase for traditional fuels, the sharp decline in production costs for solar cells experienced in recent years, which have almost halved in the last 10 years through an average annual reduction of 6%, and the continual increase in efficiency of solar panels may provide considerable momentum to the entire sector. Yet production costs for solar panels need to be reduced further to around half the current level in order to allow solar energy to compete with traditional fuels without subsidies.

One reputable consulting company for the solar power industry, Photon Consulting, is definitely counting on a remarkable rate of market expansion and expects the worldwide 1.7 GW output capacity for solar panels in 2005 to reach over 10 GW by 2010, and demand for solar panels to exceed production capacities in the short and medium term, though even the more conservative forecasts expect the market to at least double in size.

Total Worldwide Annually Installed Solar Photovoltaic Systems in MWp



World Market in MW 2006-2010 Forecasts



From the investor side, the fact that the abovementioned factors resulted in numerous IPOs taking place all over the world last year, on behalf of the industry's largest players, which from an investor perspective were essentially successful, is a matter of some relevance.

3 Genesis investor story: significant potential with significant risks

The Genesis investment story lies in the manufacturing of solar panels, as the Company cut back on its earlier operations - performed under the corporate name of Novotrade - in the course of the past year, and currently intends to achieve the construction and operation of plants that make solar panels only. The plans relate to the building of one Hungarian, one Spanish and one Singaporean factory, each with a production capacity of 80-100 MWp, and the first such investment project may begin as early as this year, following the award of state subsidies and a capital increase.

The Company intends to cover the financing of the construction of plants, each costing around 100 million euro, from the following 3 sources:

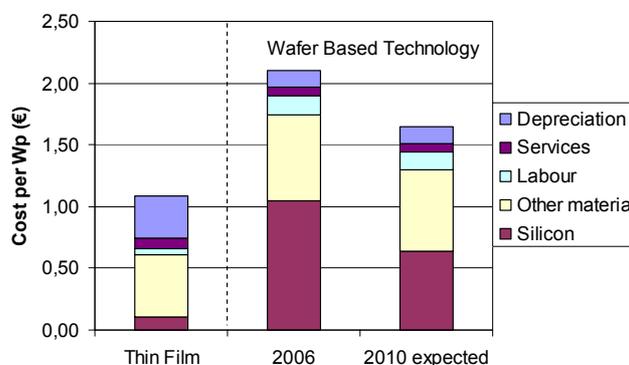
- existing shareholders' equity and capital increase(s): the first round takes place in June 2007 with the redemption of 13-36 million euro through the issue of 1.2-3.2 million new shares, which may be followed at a later stage by further capital injections;
- state subsidies: Genesis was recently awarded almost half the planned 30-35 million euro subsidy for constructing the Spanish factory, while the Company is awaiting the second half of this and the award of even higher Hungarian subsidy in the near future;
- bank loans: if the capital increase and the award of state subsidies are completed, the Company's capital structure will not be stretched by borrowing the planned credit of around 40 million euro for construction of the first factory.

Large-panel thin-layer technology

Genesis intends to utilise one of the most up-to-date "large-panel" thin-layer technologies currently available in the production of solar panels, known by the specialist literature as "Generation 8.5", which has the following main advantages by comparison with traditional technology:

- production cost of solar cells with thin-layer technology is some 40% lower than that of traditional technology, primarily due to the significantly lower usage of silicon (one barrier to growth in the industry in any case is formed by capacities to produce one of the most important raw materials, silicon, which is still subject to restrictions);
- the large-panel thin-layer technology solar panels are more efficient by around 25%, in terms of effective power generation, than solar panels made with traditional technology;

Cost Comparison Thin Film vs. Wafer PV



- using the new technology it is possible to make panels some five times larger (approx. 5.7m²) than traditional solar panels (approx. 1.2m²), which in the case of solar cell farms for example constitutes lower incidental project costs by as much as 20%-25%;
- in view of the fact that - unlike traditional panels - solar panels made with thin-layer technology are see-through, they allow for the latest applications in the long term, and for example may potentially be used in architecture (solar cell facades), which may result in significant growth in market demand. It should be pointed out in this respect that architectural standards stipulate the compulsory employment of alternative sources of energy in the construction of new buildings in an increasing number of countries around the world.



Alongside the benefits of thin-layer technology, it should also be said that it remains less widespread today than the traditional, crystal silicon solar cells, with a market share of less than 10%. However, Photon Consulting expects this rate to double by 2010 and several major players in the industry (First Solar, Q-Cells, Ersol, etc.) are also moving towards this technology. The fact that smaller-sized solar panels have long been produced with thin-layer technology, yet no such plants making large panels are currently in operation constitutes a risk. And yet investors have signed several agreements for construction of factories using such technology this year with the technology supplier Applied Materials (Applied Materials is the world's largest company producing semiconductor, LCD panel and solar panel manufacturing equipment, and had sales revenue in excess of 9.1 billion dollars in 2006). Although the technology for producing smaller panels has been in operation for a long time, there are no large-plant production experiences in large-panel manufacturing yet, which, apart from the potential benefits, also constitutes uncertainty and risks for investors in technology for the time being.

With regard to implementation of the planned project(s), a further risk is the fact that only Applied Materials is presently capable of making such a production line, and the implementation of Genesis' plans depends on an agreement with the technology supplier. While at the same time the Company management reported that negotiations are at an advanced stage, and within 1 or 2 months of the necessary financial sources being available - primarily after a successful increase in private capital, positive subsidy decisions and the necessary banking financing agreements - the contract for technology supply might even be ready to sign in early autumn this year, and Applied Materials will undertake a full-scale guarantee for the implementation and appropriate operation thereof.

Prominent risks

From an investor perspective, Genesis shares are associated with special risk, and moreover there are several open questions in respect of the Company awaiting a response, as a result of which, or without their being answered we can anticipate institutional investors steering clear of the shares. The most important investor risks and open questions can be summarised as follows:

Transparency

The Company is currently in the project development phase, during which period it holds strictly confidential information, which if disclosed on a wider scale would endanger the

Company's business interests and fulfilment of its plans. Genesis has therefore been very restrained in conducting external communications in recent times, and investors may see the Company's operations as less transparent as a result.

Start-up phase

One of the most important risks (and also difficulties in pricing shares) is caused by the fact that the Company does not currently have any meaningful economic operations, investors may only put their trust in the successful realisation of an investment being implemented over a time horizon of several years. The start-up lifecycle of the Company, the construction of production plant(s), and operation thereof represent considerable uncertainties and risks to investors.

Investment projects

For the time being there are only plans to construct solar panel producing plants built by Genesis, the plants may start production in 2009 at the earliest, while profitable operation is not anticipated before 2011. The technology planned for production in large plants is not yet in operation (the first production lines are being placed in operation in 2008), and Genesis does not currently have either a contract or pre-contract for these fittings, although in the view of the Company management such a contract may be entered into within a few months.

Solar energy industry track record

The Company's management has been closely cooperating with a large team of industry experts for more than a year now in order to prepare the ground for the project, and is conducting advanced negotiations with regard to their involvement in project implementation and operation.

In order to construct and operate the solar panel production capacity, both appropriate expertise and experience are important, which, in the view of the management, their partners possess. Motivating the team of specialists will take place in part with the assistance of shareholdings in the plants being set up, which will assure their commitment. Genesis is not presently in a position to provide information on the identity of business partners and details of negotiations without considerable damage to business interests. Yet, until such time as the market is aware of details of the specialists' track record, the issue shall be treated as a risk, while as and when information appears on this, it may even turn into an advantage.

Market risks

Although almost every player in the industry is expecting long-term dynamic growth, or considers this likely, market expansion may be attributed to various factors. The following are the most important:

- State subsidies strongly determine demand for solar panels, and any sudden, drastic reduction thereof may have a demand-limiting impact. At the same time a smaller-scale gradual reduction in state subsidies is anticipated, in parallel to the development of the sector, for example by means of increasing the efficiency of solar panel cells, and reducing production costs.

- An increase in interest rates and larger scale reduction in fossil fuel prices may also reduce demand.

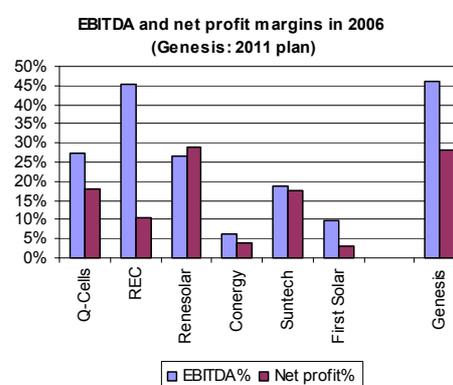
If the market players, contrary to expectations, fail to reduce production costs to an appropriate extent, or the efficiency of solar panels fails to increase gradually, - in the event of unchanged traditional energy prices - solar power will not be a competitive alternative without subsidies, and this would have a negative impact on market demand.

Financing, subsidies

Genesis' plans for construction of both the Hungarian and Spanish plants count on significant state subsidies. The Spanish state will provide subsidy in an amount of 30-35 million euro in accordance with the company's expectations. On the Hungarian side development subsidy has been requested based on an individual government decision. Although state subsidies of the solar energy sector have been given general strategic focus and have considerably increased, until any positive assessment of the applications it clearly remains uncertain as to how much of the planned subsidies will actually be realised. In this regard the fact that the Company recently announced the government of Andalusia's positive decision on the assessment of around 15 million euro non-refundable subsidy and that Hungarian legal regulations (Act LXXXI of 1996 on corporate tax and dividend tax; Government Decree 206/2006 on development tax discounts) provide the option for taking up development tax concessions give cause for confidence. Genesis intends to comply with these criteria and in the event of fulfilment of the conditions will become entitled to tax concessions.

Financial forecasts

Though the EBITDA and net profit levels featured in Genesis' plans fall into the band defined by international comparative data (2006 figures for international companies introduced onto the stock exchange among sector partners in the course of the last 2 years), they rather represent a level appropriate to the upper boundary in case of both indices. At the present time it is still questionable as to whether these forecasts - in view of the competitive advantages signified by the new technology, and future trends in market conditions - are realistic, or possibly overly optimistic.



Further risks are brought about by future exchange rate fluctuation in the Forint, since sales revenue from the Hungarian plant will arise almost completely in euro, whereas a significant share of costs are incurred in Forints. Thus by comparison with the exchange rate featured in the forecasts a considerable strengthening of the Forint against the euro would have a negative impact on profitability.

4 Pricing

Genesis' shares cannot currently be valued using traditional pricing methods, and the Company may not be directly compared with the peer group, given that:

- Genesis has not yet even begun constructing the planned plants, and nor is the required capital available;

- each of the companies in the peer group is already generating profitable operations, and no company can be identified on a similar path to Genesis among the publicly operating companies in the sector.

We have shown Genesis' pricing below by means of valuation based on financial forecasts for the project in Hungary and on discounted cash flow (DCF) and two indices, however we would like to point out that in our opinion the market, by virtue of the risk factors specified above, and outstanding questions will not set these prices yet, or will only do so at a discounted price.

Indices

We performed the index-based comparison using two methods, on the basis of P/E and YEAR/EBITDA, and in both cases we calculated the sector averages projected over 2 years, i.e. based on 2009 EPS and EBITDA expectations (Reuters analysts consensus). Given that Genesis will only be able to display substantive results in 2011, we used these indices to determine the anticipated Genesis share price in two years, i.e. in the middle of 2009, in both cases.

In the case of both methods we assumed the following:

- in respect of EBITDA and net result the company's forecasts are fulfilled;
- in the course of a capital increase the company issues 3.2 million new shares, which represents approx. 35 million euro in fresh capital;
- the Forint exchange rate does not change significantly compared to that indicated by the company in advance.

The following companies are included in the comparisons:

European companies: REC, Q-Cells, Solarworld, Ersol, Renesolar, Solon, Sunways, Solar Fabrik, Centrotech, Conergy

Non-European companies: Solar Energy, Applied Materials, Evergreen Solar, Sunpower, Suntech Power, Ebergreen Energy, First Solar, Carmanah, Toluyama, E-Ton Solar, Motech.

Genesis 2009 Fair Price Calculation (HUF / share)

Base data:

EBITDA 2011 (m EUR)	81,7
Net Debt 2009 (m EUR)	40,0
Number of shares (m)	10,0

	<u>EV/EBITDA</u> <u>(2009, x)</u>	<u>Fair price</u> <u>in 2009 (HUF)</u>
Non-EU Sector Median	11,2	21 886
World Sector Median	10,7	20 864
EU Sector Median	10,0	19 434
	9,0	17 391
	8,0	15 347
	7,0	13 304
	6,0	11 260
	5,0	9 217
	4,0	7 173

Genesis 2009 Fair Price Calculation (HUF / share)

Base data:

Net profit 2011 (m EUR)	49,4
Number of shares (m)	10,0

	<u>P/E</u> <u>(2009, x)</u>	<u>Fair price</u> <u>in 2009 (HUF)</u>
Non-EU Sector Median	16,3	20 152
World Sector Median	13,7	16 938
EU Sector Median	11,2	13 847
	10,5	12 981
	10,0	12 363
	9,5	11 745
	9,0	11 127
	8,5	10 509
	8,0	9 891
	7,0	8 654

DCF

The Company management's financial forecasts for the Hungarian plant serve as the basis for discounted cash flow based valuation, the key figures of which are summarized for 2008-2012 in the following table:

m EUR	2008	2009	2010	2011	2012
Production (MWp)	-	10,5	70,8	78,4	80,0
Revenues	-	23,7	159,6	176,7	176,4
EBITDA	-1,4	1,3	16,7	81,7	80,8
Profit before taxes	-1,1	-16,2	45,1	61,8	61,8
Free Cash Flow	-31,0	-68,0	64,0	68,0	62,0

In calculating the discount rate we allowed for the planned financing structure for the project - 29% shareholders' equity, 38% credit, 33% state subsidy. Due to the planned high proportion of state subsidy the value of the discount rate (WACC) is extremely low, at below 7%. At the same time the risk arises that the level of state subsidy will be lower than planned, which might lead to growth in the discount rate and a reduction in value.

Alongside the above assumptions the current share price determined by the discounted cash flow method is around HUF 8,750, which is in harmony with the share price estimates for 2009, to be calculated on the basis of indices.

Conclusion

As already indicated above, we only recommend giving consideration to the results calculated by the above methods with a very considerable discount of at least 60%, due to the high degree of uncertainties and risks, which produce a maximum share price of HUF 3,500. At the same time, in view of the effectively certain success of the increase in private capital - due to the subscription guarantee of the major shareholder - and in view of the fact that the capital increase will take place at a share price of HUF 2,800, we set the lower value of the realistic price band at HUF 2,800.