

Flash Update – State's stake fell below 33%
BUY

 Previous Rating: **BUY**

TARGET PRICE 12M (RON)	0.98
Previous Target price	0.85
SHARE PRICE (RON)	0.50

Performance	1M	3M	12M	YTD
Absolute (%)	-10.6%	-18.5%	-23.0%	-23.0%
Relative to BET (%)	-6.5%	-13.7%	-39.0%	-28.6%

RIC	FP.BX			
Bloomberg	FP RO			
Index listed	BET, BET-C, BET-FI, BET-XT			
Market Cap (RON m)	6,889.20			
Market Cap (EUR m)	1,666.31			
Shares Out (m)	13,778.39			
52 Week Range (RON)	0.4850 / 0.6495			
% from 52 Week range	3.1% / -23.0%			
Avg daily volume 6M (shares)	30,236,053			

Shareholders	(%)
Ministry of Economy & Finance	25.2
Free float	74.8

(RAS)	09A	10A	11E	12E
P/E(x) adj.	16.7	27.2	15.5	15.2
EPS adj. ch. (%)	56%	-37%	0%	2%
EV/EBITDA(x)	12.0	23.1	12.1	11.9
Net debt/EBITDA	-2.6	-2.8	-3.1	-2.9
P/BV(x)	1.0	1.0	0.5	0.5
ROE(%)	6.3%	3.7%	3.6%	3.5%
FCF Yield (%)	6.0%	3.7%	6.5%	6.6%
Div. Yield (%)	9.2%	3.6%	7.1%	7.4%

RON m				
Revenues	1,320.4	576.6	552.0	566.2
EBITDA adj.	834.8	467.6	455.5	464.4
Net income adj.	730.1	456.2	445.8	454.5
EPS	0.05	0.03	0.03	0.03
EPS adj.	0.05	0.03	0.03	0.03
BVPS	0.86	0.88	0.94	0.94
DPS	0.08	0.03	0.04	0.04
FCFPS	0.05	0.03	0.03	0.03
NAVPS	0.86	1.11	1.17	1.17

6 June 2011
Analyst: Roxana Dascalu
 roxana.dascalu@iebatrust.ro

We upward revise our target price to RON0.98 per share following the dissolution of the voting right restrictions triggering a lower discount on our NAV to 20% from 30% previously. A heavy trading discount of 58% on the official NAV remains, while we reiterate our Buy rating.

- According to the latest shareholders structure as recently published by the Central Depository as of 31st of May, following a further shares reimbursement, the stake held by the Ministry of Public Finance fell below 33% to 25.25%, triggering the elimination of minority rights limitations and increasing our target price by an additional 15%. Given the heavy discount on the official NAV at which FP currently trades, our discounted NAV implies a huge upside potential of c96%.
- The lately announced free-float consists of c44% to private individuals and c31% to institutional investors. The decrease of the State's stake of 11.52% in one month, ended 10.52% to individuals and 1% to institutionals. In our view, this implies that the new shares held by private individuals were not traded in the market yet.
- FP is currently trading at a very discounted price equivalent to the fund's cash position plus the market value of its listed portfolio. Obviously, the still gloomy outlook for the unlisted holdings and worries for a potential aggressive trading due to the new recent shares came from the reimbursement procedure still maintain such discounts. Admittedly, other things being equal, in our view, such heavy discounts would be eliminated in the long term, but the recent elimination of voting rights restrictions as well as a comfortably attractive FY11E dividend yield of c7% can move the stock higher by at least 20%.
- In other news, at the end of last week the Court rejected the objections of FP against RomGaz decision to donate RON400m (EUR95m) to the Romanian state. The decision was taken last year in November, a government's attempt to finance its budget deficit, which raised concerns among the private investors regarding the protection of the minority shareholders' rights and the state's intervention on the capital market. We do not see any effect on our numbers or valuation since this development is already excluded from our assumptions.
- For our base case scenario, we value FP using a sum-of-parts methodology employing almost (less conservative) a similar methodology to the official one. Our FY11E NAV per share forecast stands at RON1.23 (versus the latest official April's NAV of RON1.2004) and after lowering the discount applied from 30% to 20%, we derive now a target price of RON0.98 per share, implying a huge upside potential of 96% since the stock has been heavily undervalued mainly given the on-going reimbursement of new shares started again at the beginning of May. Our NAV exercise incorporates: (i) our target price for major covered listed stocks, (ii) the maximum value between Equity 2009 and market cap for not covered listed stocks, (iii) the Equity 2009 for unlisted companies and (iv) zero value for companies being under insolvency or bankruptcy stage. At the end, we apply a discount of 20%: (i) 10% for the fund's holding nature, and (ii) 10% for the high weight of unlisted companies and low visibility yet.

Shareholder Structure

According to the data published by based on the information recorded at the Central Depository as of 31 of May 2010, Romanian shareholders owned 42.23% of FP while foreign investors held a 32.52% stake vs. 18% before the fund's listing.

Shareholder type	Stakes (%)			ch.% vs.	ch.% vs. before
	Before listing	As of 30th April	As of 31st of May	April	listing
Ministry of Finance	39%	37%	25%	-31%	-35%
Romanian individuals	34%	26%	35%	36%	4%
Romanian institutionals	10%	6%	7%	12%	-32%
Total Romanian shareholders	83%	69%	67%	-2%	-19%
Foreign individuals	8%	9%	9%	3%	10%
Foreign institutionals	10%	23%	24%	5%	137%
Total Individuals	18%	31%	33%	5%	81%
TOTAL	100%	100%	100%		

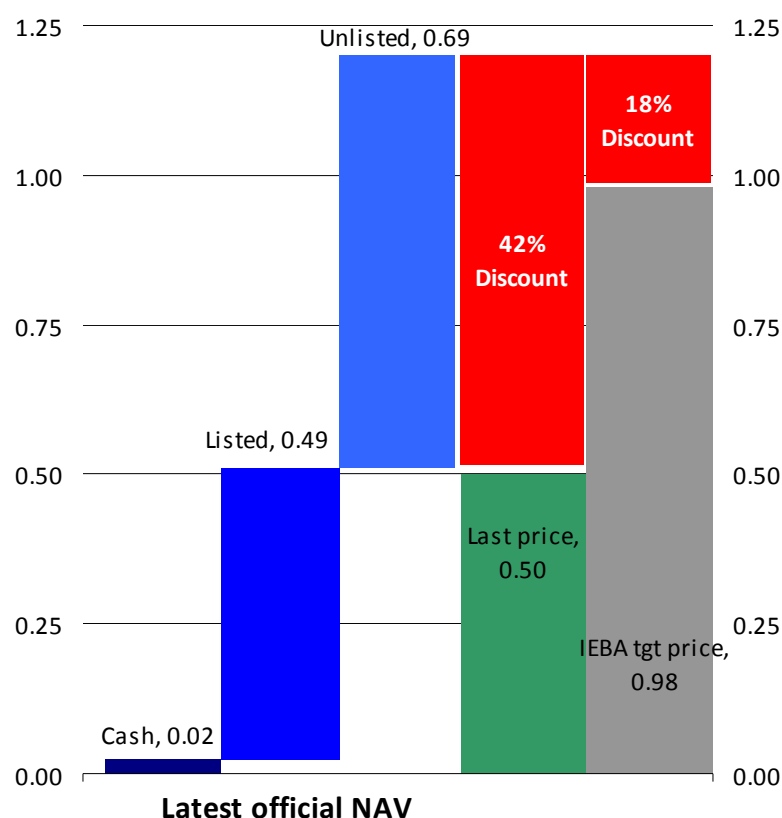
SOTP Valuation exercise

Portfolio - RON m	No of companies	NAV 2010	% of total	NAV 2011E*	IEBA NAV 11E	% of total
Listed in BVB holdings	28	4,934	32%	5,883	6,841	40%
Petrom	1	3,816	25%	4,691	5,468	32%
TransGaz	1	494	3%	445	476	3%
Transelectrica	1	191	1%	208	215	1%
Alro	1	212	1%	288	305	2%
Romaero	1	18	0%	20	82	0%
Azomures	1	19	0.1%	28	34	0.2%
Other	22	183	1%	202	262	2%
Non-listed companies	55	9,145	60%	9,014	9,014	53%
Hidroelectrica	1	3,287	21%	3,287	3,287	19%
Nuclearelectrica	1	706	5%	706	706	4%
Rest of electricity producers	3	1,049	7%	1,719	1,049	6%
Electricity Utilities	14	1,603	10%	2,549	1,603	9%
RomGaz	1	1,246	8%	1,246	1,246	7%
Airports	3	330	2%	465	330	2%
Gas Distribution	3	411	3%	508	411	2%
Posta Romana	1	169	1%	169	169	1%
Ports	4	82	1%	151	82	0%
Other	24	264	2%	-1,786	133	1%
Total	83	14,079	92%	14,898	15,856	93%
(-) Provisions on the portfolio		14	0.1%	12	12	0.1%
Other investments and receivables		12	0.1%	6	6	0.0%
Cash		1,320	9%	1,260	1,260	7%
(-) Debt (liabilities)		69	0.5%	66	66	0.4%
NAV		15,328	100%	16,085	17,044	100%
Per share		1.11		1.17	1.24	
(+/-) Discount					20%	
Shareholders' value					13,635	
Shareholders' value per share					0.98	
Dividend Yield at last price					7.0%	
Dividend Yield at Target price					3.6%	

Please observe relevant disclosures at the end of the report

SSIF IEBA TRUST Research Department Email: research@iebatrust.ro June 09, 2011

Latest official NAV per share, last price and IEBA's target price



Major catalysts to our valuation

- the level of visibility and the speed of initiations for listing, privatizing or/and selling holdings will lead to a substantial value crystallization of major stakes and therefore will significantly affect the medium to long term value of the fund;
- the stake in Nuclearelectrica may increase as FP contested in Court the dissolution from 20% to 9.7%;
- the faster the on-going reimbursement finish, the quicker elimination of the current pressure on the stock.

RECOMMENDATION SYSTEM

SSIF IEBA TRUST uses a Relative recommendation system. Such system indicates that each stock is rated on a basis of the excess return, measured by the relative value of the target (calculated) price and the current price, over a 12 months period of time.

The range of recommendations for each stock consists of 4 elements: Buy (B), Accumulate (A), Hold (H), Reduce (R).

SSIF IEBA TRUST RATINGS

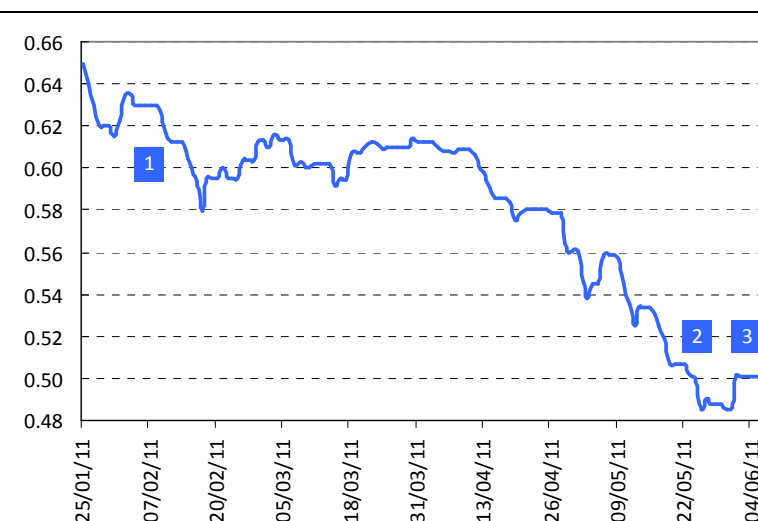
BUY	The stock is expected to generate potential excess return over 15%
ACCUMULATE	The stock is expected to generate potential excess return of 5 to 15%
HOLD	The stock is expected to generate potential excess return of -5% to 5%
REDUCE	The stock is expected to generate potential excess return below -5%

Excess return: Target price/current price – 1

For the cases of Initial Public Offering, the above-mentioned recommendation system is not applied. In such cases, the recommendation is based on the comparison between the price of the Offering, and the fair value estimated by SSIF IEBA TRUST.

FP-Fondul Proprietatea

Ratings and target price history



#	Date	Rating	Target price (in RON)
1	03/02/2011	BUY	0.80
2	25/05/2011	BUY	0.85
3	06/06/2011	BUY	0.98

Measures Definitions

IEBA Net Income	Adjusted Net Income for one-off items	
Net Cash Flow from operations	EBITDA (+/-) other provisions (+/-)(Increase)/Decrease in Working Capital	
FCF Equity	Net Cash Flow from operations (-) CAPEX	
Net debt	Total short-term and long-term bank debt (-) cash	
EV	Market Cap (avg historic or current) + book value of minorities + Net debt	
FCFPS	FCF Equity	Diluted no of shares
EPS (or IEBA)	Reported (or IEBA) Net Income	Diluted no of shares
BVPS	Total Equity	Year end no of shares
P/E (or IEBA)	Share Price (avg historic or current)	Reported (or IEBA) EPS
P/E IEBA at 52wks High	52 weeks High price (avg historic or current)	IEBA EPS / Diluted IEBA Earnings Per Share
P/BV	Share Price (avg historic or current)	BVPS
ROE	Reported Net Income	Average Total Equity
ROCE	Reported Net Income	Average (Total debt + Total Equity)
EV/EBITDA	EV (with avg historic or current)	Reported EBITDA
EV/EBITDA (x) at 52wks High	EV using 52 weeks High market cap (avg historic or current)	Reported EBITDA
EBITDA/Net financials	Reported EBITDA	Net financials: Net interest (+/-) Net financials
EV/CE (x)	EV (with avg historic or current)	CE: Total bank debt + Total Equity
FCF Yield	FCFPS	Share Price (avg historic or current)
Dividend Yield	DPS	Share Price (avg historic or current)
Dividend Payout	Dividend	Reported Net Income

DISCLAIMER

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in Romania or any other jurisdiction where such distribution, publication, availability or use would be contrary to a law or regulation or which would subject SSIF IEBA TRUST. All material presented in this report, unless specifically indicated otherwise, is under copyright to SSIF IEBA TRUST SA. None of the material, or its content, or any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the express written permission of SSIF IEBA TRUST SA. All trademarks, service marks, and logos used in this report are trademarks or service marks or registered trademarks of SSIF IEBA TRUST SA.

The information, tools, and materials presented in this report are provided to you for information purposes only and are not to be used or considered as an offer, the solicitation of an offer or suggestion to act upon the information presented, nor as grounds for an investment decision. Any other information not included in this material shall be provided to the beneficiary solely upon his request. SSIF IEBA TRUST SA will not treat recipients of this report as its customers by virtue of their receiving this report. The investments and services contained or referred to in this report may not be suitable for you, and it is recommended that you consult an investment advisor or lawyer if you are in doubt about such investments or services. Nothing in this report constitutes investment, service, legal, accounting, or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. SSIF IEBA TRUST SA does not advise on the tax consequences of investments or services, and you are advised to contact an independent tax adviser. Please note in particular that the bases and levels of taxation may change.

Information and opinions presented in this report have been obtained or derived from sources believed by SSIF IEBA TRUST SA to be reliable, but SSIF IEBA TRUST SA makes no representation as to their accuracy or completeness. The information, opinions and estimations presented in this material reflect the situation at the time of their drafting and can be changed without previous notice. SSIF IEBA TRUST SA accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that such liability arises under specific statutes or regulations applicable to SSIF IEBA TRUST SA. The report was drafted without taking into consideration the financial situation and investment objectives of the beneficiary and is not meant to influence in any and all ways his/her investing decisions. The opinions and proposals presented within the material may be unsuitable to the beneficiary, depending upon the objectives, risk tolerance and financial situation of the beneficiary. This report is not to be relied upon in substitution for the exercise of independent judgment. SSIF IEBA TRUST SA may have issued, or may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views, and analytical methods of the analysts who prepared them, and SSIF IEBA TRUST SA is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report. SSIF IEBA TRUST SA holds no obligation in updating the material.

SSIF IEBA TRUST SA may, to the extent permitted by law, act upon or use the information or opinions presented herein, or the research or analysis on which they are based, before the material is published. Additional information is, subject to duties of confidentiality, available upon request. Some investments or services referred to in this report will be offered solely by a single entity and in the case of some investments or services, solely by SSIF IEBA TRUST SA or its affiliates. SSIF IEBA TRUST SA may as well participate, invest, effect trades or other operations with the issuers whose securities are the subject of the material.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Certain investments discussed in this report may have a high degree of volatility and may experience sudden and large falls in their value, causing losses when that investment is realized. Income yields from investments may fluctuate as well due to variation of the interest rate, foreign exchange rate, changes in the financials or operational circumstances of the companies and due to other microeconomic or macroeconomic factors. Information, opinions, and estimates contained in this report reflect a judgment at its original date of publication by SSIF IEBA TRUST and are subject to change without notice.

This report may provide the addresses of, or contain hyperlinks to websites. Except to the extent to which the report refers to SSIF IEBA TRUST SA own website material, SSIF IEBA TRUST SA has not reviewed any such site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to SSIF IEBA TRUST's own website material) is provided solely for your convenience and information, and the content of any such website does not in any way form part of this document. Accessing such website or following such link through this report or SSIF IEBA TRUST's website shall be at your own risk.

Important company disclosures

The following designations (a-e) next to a company covered in this publication highlight that one or more members of SSIF IEBA Trust:

- a) own more than 5% of the share capital of the company (as at the end of the month preceding this publication);
- b) managed or co-managed a public offering of the securities of the company in the last 12 months;
- c) has received compensation for financial investment services from the company within the last 12 months;
- d) is a market maker or stabilizing manager of the company's securities;
- e) has one or more members in the board of directors or supervisory board of the company

Analyst Certification

The analysts that have written this report certify that the views about the companies and securities contained in this report accurately reflect their personal views and that no part of their compensation was or will be directly or indirectly related to the specific recommendations or views in this report.

RESEARCH

Roxana Dascalu
roxana.dascalu@iebatrust.ro

Email:
research@iebatrust.ro

TRADING

Catalin Miron
catalin.miron@iebatrust.ro

George Nistor
george.nistor@iebatrust.ro

SSIF IEBA TRUST

18, Mircea Eliade Bvd, Part A,
District 1, Bucharest 012015,
Romania

Tel. : +4021 313 0102
Fax : +4021 313 1595