

September 3, 2012

Fondul Proprietatea: Monthly Update

Sector: financials

End-July NAV +1.2% m/m to RON 0.9429/sh, price discount still at 44%

The end-July NAV rose 1.2% m/m to RON 0.9429/sh, with listed portfolio +2.6% m/m (main trigger OMV Petrom) and unlisted stocks +0.2% m/m. Net cash improved 12% m/m on lower debt following dividend payment. We note the stock is still favorably traded at a 43.7% discount vs end-July official NAV (recall that Hidroelectrica's insolvency forced the fund to cripple its NAV by marking the 20% interest in the company to 0).

Update on Hidroelectrica's insolvency process; exit expected in mid-2013

Hidroelectrica's judicial administrator stated the company would not exit insolvency this autumn as indicated by the gov't, and a realistic deadline would be June/2013. Also, its report prepared for the 1-month period ended mid-Aug includes the following highlights:

- by end-Aug, the reorganization plan should be submitted to shareholders for approval
- out of 10 bilateral contracts, 6 were denounced, 3 came to an end by increasing the energy price, while the one with Alro (largest domestic aluminum producer) has been renegotiated with the price based on AI quotation (as set before) as well as on the evolution of the domestic electric power market; press reports citing the judicial administrator claim that Alro will buy electricity from Hidroelectrica at a price ranging between RON 180-214 per MWh from the RON 130 avg before
- all bank loans are with reimbursement on schedule and no arrears were recorded; moreover, the company took measures to reduce its credit lines
- in H1/2012, Hidroelectrica recorded sales -23% y/y to RON 1.26bn, EBITDA -3% y/y to RON 0.51bn and net losses of RON 46m vs net profit of RON 23m in H1/11
- at June/12, debt/equity ratio favorably stood at 15.7%
- 3 litigations were opened by clients and the trade union after Hidroelectrica entered insolvency; 3 were generated by the enforcement of the force majeure clause and 4 after the judicial administrator denounced bilateral contracts; next hearings are set for Sept.

Takeaways from the H1 confcall

- Equity disposals in H1 included the sale of Azomures and reduction of stakes in Erste Group Bank and Raiffeisen Bank; Investment strategy remains focused on listed companies, some unlisted to be divested (electricity and gas distribution companies)
- Status of the 2 buy-back programs: cancellation of the 1.7% repurchased stake and the new program - delayed by litigations opened by Ioana Sfaraiala (minority shareholder)
- Pending CNVM approvals: administrator's fee for successful divestures; regulation changes for the secondary listing on WSE including the link between the 2 depositories
- The fund re-iterated that total NAV should stay above the share capital in order to grant dividends (we estimate a 3% gap at Dec/12 due to Hidroelectrica's insolvency)
- Romgaz: listing requires the natgas reserves audit, according to EU norms; floating consequently delayed to Q2/13 (at the earliest in our view)

We remain buyers of the stock; ytd price performance over 2x vs BET

Base on updated information on investees and restated valuation, we have slightly adjusted our TP of FP shares to RON 0.6413/sh; all in all, we remain buyers of the stock as the current trading price enjoys a 21% upside potential. Also, it is worthwhile to mention the fact that FP's ytd price performance exceeded over twofold the BET index growth at end-August (FP: 23.4% ytd, BET: 11.0% ytd).

Latest NAV Statement: Jul 31, 2012

RONm	Dec-11	Jun-12	Jul-12	Δ m/m	Δ ytd	2012e
Listed companies	4,822	5,442	5,583	2.6%	15.8%	5,809
Unlisted companies	9,151	6,304	6,315	0.2%	-31.0%	6,441
Cash and similar acc.	494	1,066	813	-23.8%	64.5%	753
Total assets	14,522	12,938	12,757	-1.4%	-12.2%	13,035
Total debt	42	426	94	-77.8%	123.9%	28
NAV	14,465	12,497	12,648	1.2%	-12.6%	12,993
NAV/sh	1.0789	0.9317	0.9429	1.2%	-12.6%	0.9687
Price P/(D) to NAV	-50.8%	-43.1%	-43.7%			-45.2%
NP	544	574	575	0.2%		571
EPS	0.0405	0.0428	0.0429	0.2%		0.0426

Trading Price*: RON 0.5305
TP RON 0.6413

*closing at: Sep 3, 2012

Recommendation

Outperform

FP Share Price



Share Statistics

Bloomberg Ticker	FP RO	
Reuters Ticker	FP.BX	
Share price (RON)	0.5305	
Share price (EUR)	0.1190	
Price YTD	24.2%	
High / Low Price 52W (RON)	0.6050/ 0.4151	
Avg Daily Value 6M (EURm)	2.72	
Market cap. (EURm)	1,596	
Value of 1% stake (EURm)	16.0	
Shares outstanding (m)	13,413	
Free float (%)	88.0%	
	<u>2011</u>	<u>2012e</u>
P/E	13.08	12.45
P/B	0.64	0.63
P(D) to NAV (%)	(50.83)	(45.24)
P(D) to Target Price (%)		17.28

Ownership Structure (m) Jul 31/2012

Foreign legal entities	6,864	51.2%
Foreign individuals	894	6.7%
Romanian individuals	4,075	30.4%
Romanian legal entities	1,338	10.0%
Ministry of Finance	1	0.0%
Redeemed shares	240	1.8%
Total no of paid shares	13,413	100.0%
Manchester Securities Corp*		12.0%
State's unpaid shares	366	
Total no of shares	13,653	

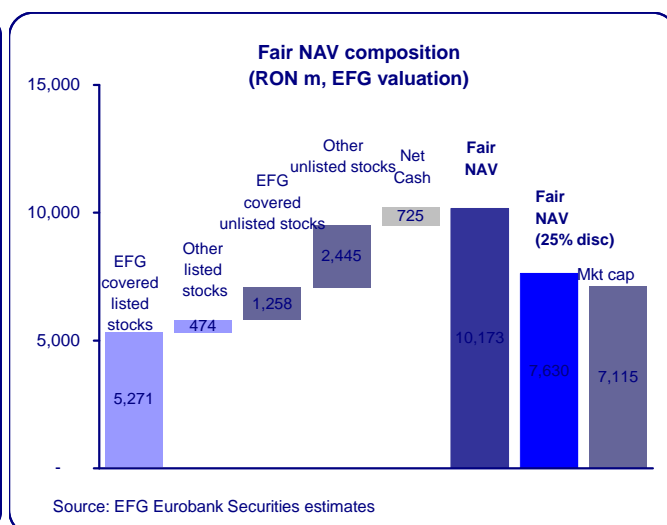
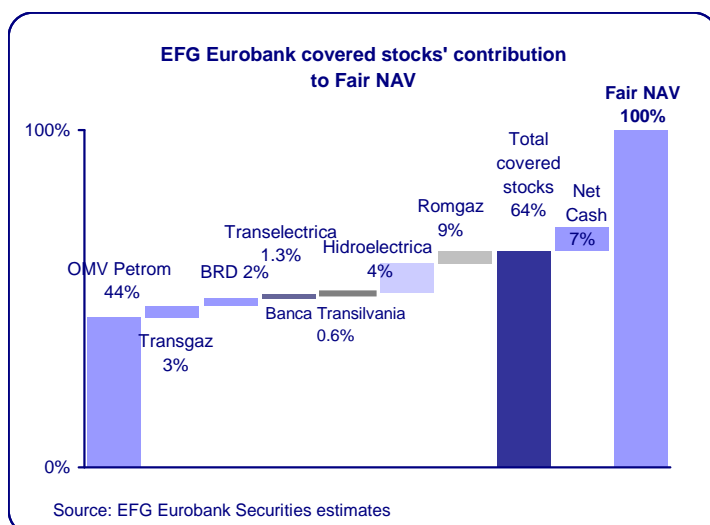
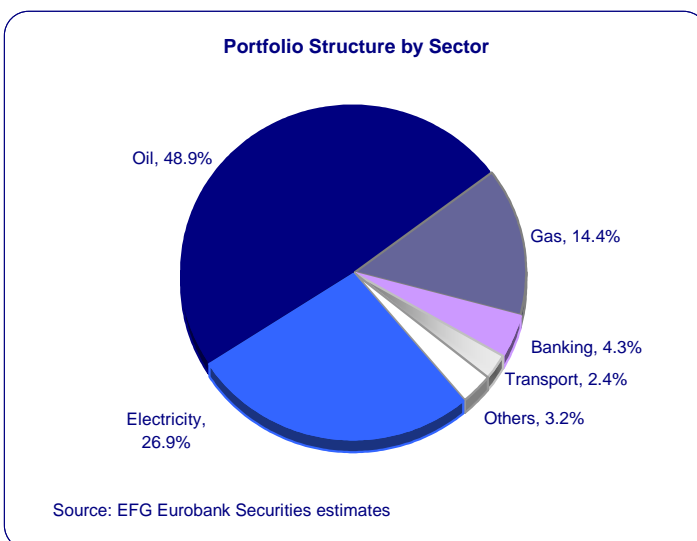
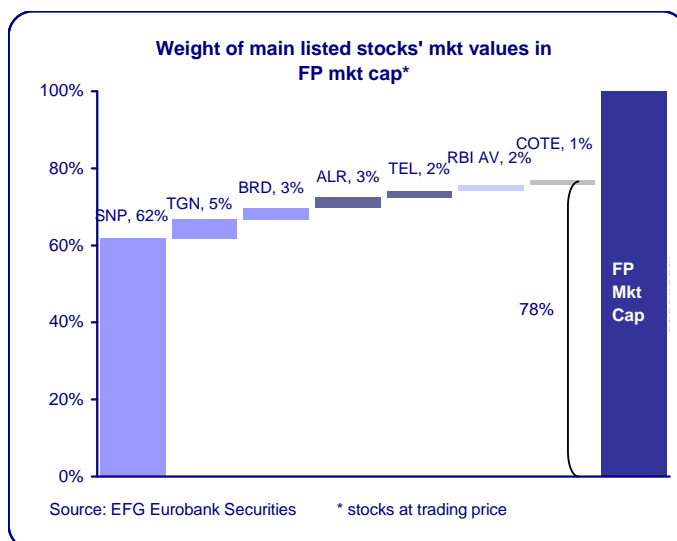
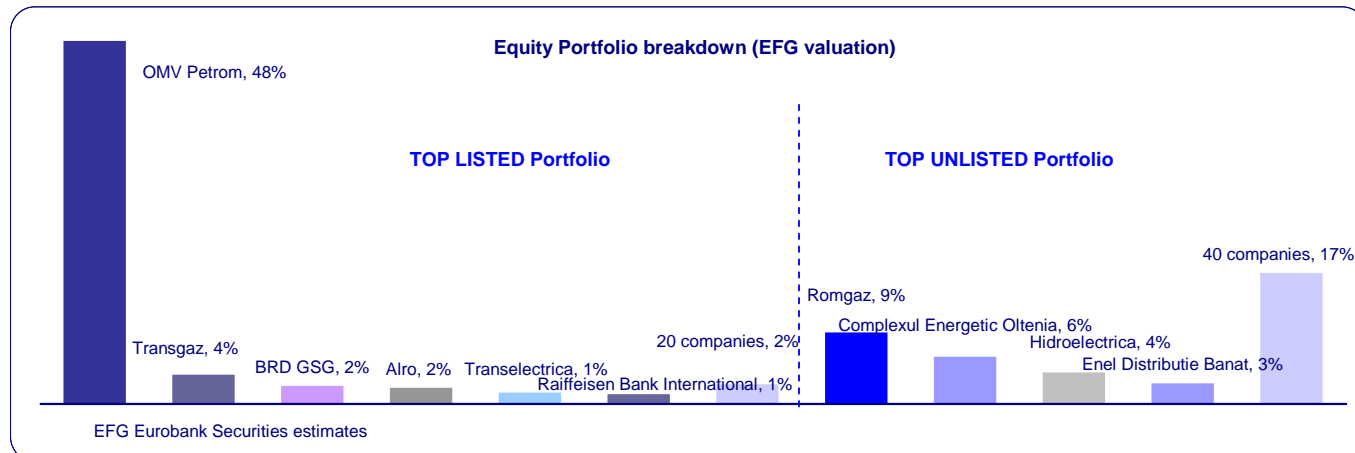
* at end-March

Manuela Ogrinja, CFA

Tel: (+4021) 206 2324

E-mail: mogrinja@efgsec.ro
research@efgsec.ro

Portfolio Anatomy



EFG Eurobank Covered Stocks Valuation (RON m)

Company	PF Stake	Valuation method	EFG Valuation*	% in Fair NAV	Marked-to-market	Official Valuation (Jun/12)**	EFG vs Official
Listed stocks							
OMV Petrom	20.1%	DCF	4,522	44.5%	4,397	4,272	6%
Transgaz	15.0%	mark-to-market	353	3.5%	353	339	4%
BRD GSG	3.6%	mark-to-market	211	2.1%	211	225	-6%
Transelectrica	13.5%	mark-to-market	129	1.3%	129	121	7%
Banca Transilvania	2.9%	mark-to-market	56	0.6%	56	49	14%
Total value of covered listed stocks			5,271	51.8%	5,146	5,006	5%
Unlisted stocks							
Romgaz	15.0%	relative valuation	880	8.6%	n/a	1,296	-32%
Hidroelectrica	19.9%	relative valuation	379	3.7%	n/a	-	n/a
Total value of covered unlisted stocks			1,258	12.4%		1,296	-3%

Source: Company, EFG Eurobank Securities estimates * current mkt price for stocks valuation under revision

** based on the SEC's regulations (listed: last trading price in the reported period; unlisted: BV)

Other Holdings (RON m)

Company	Valuation method	PF Stake	EFG Valuation	Official Valuation*	EFG vs Official
Listed stocks					
Alro	mark-to-market	10.2%	190	160	18%
Raiffeisen Bank International	mark-to-market	0.4%	107	98	10%
Conpet	mark-to-market	29.7%	87	77	13%
Erste Group Bank	mark-to-market	0.1%	28	26	7%
Other listed stocks			62	75	-17%
Total value of other listed stocks			474	436	9%
Unlisted stocks					
Complexul Energetic Oltenia	relative valuation	21.5%	578	1,075	-46%
Enel Distributie Banat	relative valuation	24.1%	243	445	-46%
Nuclearelectrica	relative valuation	9.7%	219	498	-56%
E.ON Moldova Distributie	relative valuation	22.0%	218	400	-46%
Enel Distributie Muntenia	relative valuation	12.0%	187	344	-46%
Compania Nationala Aeroporturi Bucuresti	relative valuation	20.0%	185	322	-42%
Enel Distributie Dobrogea	relative valuation	24.1%	164	301	-46%
Electrica Distributie Muntenia Nord	relative valuation	22.0%	150	275	-46%
Electrica Distributie Transilvania Sud	relative valuation	22.0%	110	203	-46%
Electrica Distributie Transilvania Nord	relative valuation	22.0%	103	189	-46%
GDF Suez Energy Romania	relative valuation	12.0%	89	340	-74%
Posta Romana	relative valuation	25.0%	42	96	-56%
E.ON Gaz Distributie	relative valuation	12.0%	38	143	-74%
E.ON Energie Romania	relative valuation	13.4%	37	68	-46%
Other unlisted stocks			82	307	-73%
Total value of other unlisted stocks			2,445	5,007	-51%

Source: Company, EFG Eurobank Securities

* based on the SEC's regulations (listed: last trading price in the reported period; unlisted: BV)

Valuation differences between EFG and SEC are due to the timing

Dividend History

Fondul Proprietatea: Dividend Inflow from Investees									
Company	FP's stake	% Official Portfolio (Jun/12)	FP - Net Divid Inflows (RON m)			Issuer's			
			2012	2011	2010	Net Profit (RON m)	2011	2010	Divid Payout %
OMV Petrom	20%	36%	353.1	201.5	-	3,757	2,190	47%	46%
Romgaz	15%	11%	140.6	106.0	87.8	1,032	651	90%	109%
Transgaz	15%	3%	52.5	50.8	23.0	380	376	92%	90%
Alro	10%	1%	19.4	13.5	11.2	228	160	99%	100%
Transelectrica	13%	1%	10.9	1.2	0.5	91	10	89%	90%
Compania Nationala Aeroporturi Bucuresti	20%	3%	9.4	9.9	6.6	53	43	90%	117%
Conpet	30%	1%	6.6	10.3	5.6	29	39	78%	90%
CN Administratia Porturilor Maritime	20%	1%	6.6	n/a	n/a	n/a	25	n/a	n/a
Complexul Energetic Rovinari	24%	0%	6.5	-	0.1	33	1	-	-
BRD GSG	4%	2%	3.6	2.1	-	465	501	25%	25%
Raiffeisen Bank International	0%	1%	3.0	4.5	-	4,306	4,839	21%	19%
Electrica Distributie Muntenia Nord	22%	2%	1.8	-	-	67	27	12%	0%
Aeroportul International Timisoara - Traian Vuia	20%	0%	1.7	n/a	n/a	n/a	n/a	n/a	n/a
CN Administratia Porturilor Dunarii Fluviale	20%	0%	0.7	n/a	n/a	n/a	n/a	n/a	n/a
CN Administratia Canalelor Navigabile	20%	0%	0.5	n/a	n/a	n/a	n/a	n/a	n/a
CN Administratia Porturilor Dunarii Maritime	20%	0%	0.2	n/a	n/a	n/a	n/a	n/a	n/a
Oil Terminal	8%	0%	0.1	-	-	1	2	299%	88%
Complexul Energetic Craiova	24%	0%	0.0	-	0.1	1	0	-	-
ENEL Distributie Banat	24%	4%	-	20.2	-	221	148	-	46%
ENEL Distributie Dobrogea	24%	3%	-	13.5	-	109	100	-	56%
Complexul Energetic Turceni	25%	0%	-	-	-	56	(69)	-	-
Nuclearelectrica	10%	4%	-	-	-	95	13	-	-
Hidroelectrica	20%	0%	-	52.5	6.5	9	292	-	90%
ENEL Distributie Muntenia	12%	3%	-	-	-	51	105	-	-
E.ON Moldova Distributie	22%	3%	-	-	-	7	165	-	-
E.ON Gaz Distributie	12%	1%	-	-	n/a	231	160	-	-
Electrica Distributie Transilvania Sud	22%	2%	-	-	-	20	12	-	-
Electrica Distributie Transilvania Nord	22%	2%	-	-	-	29	9	-	-
Erste Group Bank	0%	0%	-	3.3	-	loss	4,346	-	28%
Total			617	489	141				
Others			1	30	38				
Total Net Dividend Income (RON m) of which:			618	519	179				
<i>from Listed Companies</i>			450	304					
<i>from Unlisted Companies</i>			168	215					

Source: FP, BVB, EFG Eurobank Securities

Fondul Proprietatea: Dividend overview			
	2012e*	2011	2010
Net Dividend Income (RON m)	618	519	179
Net Profit (RON m)	571	544	456
divid payout ratio	95%	95%	95%
No of shares (m)	13,413	13,413	13,778
Gross dividend / share (RON)	0.0405	0.0385	0.0314

Source: FP, EFG Eurobank Securities for estimates

* dividends will be distributed only if NAV exceeds share equity value (NAV below share equity starting end-June/12)

Stock Trading Performance vs BET index



Net Asset Value official computation

RON	Dec-10	Dec-11	Jun-12	Jul-12	July ytd	m/m
1. Fixed Assets, out of which:	9,175,900	9,169,362	6,327,269	6,324,727	-31%	0%
1.1. Intangible Assets	0	0	0	0		
1.2. Tangible Assets	0	0	0	0		
1.3. Financial Assets, out of which:	9,175,900	9,169,362	6,327,269	6,324,727	-31%	0%
1.3.1. Listed shares	30,800	18,776	23,483	9,777	-48%	-58%
1.3.2. Unlisted shares	9,145,015	9,150,586	6,303,785	6,314,949	-31%	0%
1.3.3. T-Bills	0	0	0	0		
1.3.4. CDs	0	0	0	0		
1.3.5. Bank deposits	0	0	0	0		
1.3.10. Other financial assets	85	0	0	0		
2. Current Assets, out of which:	6,235,948	5,352,393	6,610,680	6,432,004	20%	-3%
2.1. Inventories	0	0	0	0		
2.2. Receivables	5,979	55,009	122,349	45,931	-17%	-62%
2.3. Cash	7,208	1,913	30,967	8,343		
2.4. Short-term financial investments:	4,903,476	4,803,195	5,418,240	5,573,231	16%	3%
2.4.1. Listed shares	4,903,476	4,803,195	5,418,240	5,573,231	16%	3%
2.4.2. Unlisted shares	0	0	0	0		
2.5. Newly issued securities	0	0	0	0		
2.6. T-Bills	248,021	195,920	139,844	263,104	34%	88%
2.7. Bank deposits	1,071,264	296,357	895,683	541,395	83%	-40%
2.8. CDs	0	0	0	0		
2.9. Other current assets	0	0	3,597	0		
3. Derivatives	0	0	0	0		
4. Prepaid expenses	31	28	113	97		
5. Total Assets	15,411,879	14,521,784	12,938,062	12,756,828	-12%	-1%
6. Total Debts	69,287	42,207	425,887	94,483	124%	-78%
6.1. Bonds	0	0	0	0		
6.2. Debt to credit / leasing companies	0	0	0	0		
6.3. Advances from customers	0	0	0	0		
6.4. Trade debt	25,529	27,540	9,125	11,192	-59%	23%
6.5. Commercial notes	0	0	0	0		
6.6. Debt to other entities in the group	0	0	0	0		
6.7. Other debt	43,758	14,666	416,763	83,291	468%	-80%
7. Provisions	14,424	14,198	14,805	14,807	4%	0%
8. Accrued revenues	0	0	0	0		
8.1. Investment subsidies	0	0	0	0		
8.2. Accrued revenues	0	0	0	0		
9. Shareholders' Equity	15,328,168	14,465,379	12,497,369	12,647,539	-13%	1%
9.1. Share capital	13,778,392	13,778,392	13,778,392	13,778,392	0%	0%
9.2. Share premia	0	0	0	0		
9.3. Revaluation reserves	3,188,768	3,344,679	320,991	470,003	-86%	46%
9.4. Reserves	-2,146,210	-3,248,602	-2,259,122	-2,259,112	-30%	0%
9.5. Results carried forward	74,279	74,364	83,252	83,252		
9.6. Current results	456,308	543,825	573,856	575,003		
9.7. Profit distribution	-23,369	-27,279	0	0		
10. Total Liabilities and Equity	15,411,879	14,521,784	12,938,062	12,756,828	-12%	-1%
11. Net Asset Value	15,328,168	14,465,379	12,497,369	12,647,539	-13%	1%
12. Number of issued shares ('000)	13,778,392	13,407,569	13,412,780	13,412,780	0%	0%
13. NAV per share	1.1125	1.0789	0.9317	0.9429	-13%	1%
14. No of companies in the portfolio	83	75	70	69	-8%	-1%
14.1. Listed on the regulated market	28	29	26	25	-14%	-4%
14.2. Listed on the ATS	0	0	0	0		
14.3. Unlisted companies	55	46	44	44	-4%	0%

Source: FP's monthly reportings

Financial Results and Estimates

Fondul Proprietatea: Income Statement (RAS)						
RON'000	2010	2011	6M/11	6M/12	6M y/y	2012e*
Operating revenues	576,629	617,889	593,708	847,772	43%	972,427
Financial holdings	179,049	519,065	513,208	618,084	20%	618,200
Sale of financial assets	0	13,376	9,706	207,777		311,666
Provisions, reactivated receivables	217,363	30,515	28,781	5,580	-81%	11,159
FX differences	47,735	1,617	1,466	51		0
Interest	131,466	41,129	29,196	13,962	-52%	27,924
Others	1,017	12,187	11,351	2,319		3,478
Operating expenses	109,242	72,311	48,522	273,502	464%	399,119
Sale of financial assets	0	4,576	3,980	194,885		292,327
FX differences	56,900	916	631	298		0
Interest	0	0	0	0		0
Fees and commissions	6,005	17,241	8,999	9,130	1%	18,260
Banking services	130	57	19	9	-53%	18
Depreciation, provisions, loss of receivables	240	11,706	11,706	47,695		47,695
Materials	156	0	0	0		0
Energy & water	27	0	0	0		0
Personnel	4,068	849	508	318	-37%	635
Outside services	33,564	36,808	22,559	21,106	-6%	40,102
Taxes and duties	8,152	157	120	61		81
Operating profit	467,387	545,578	545,187	574,270	5%	573,308
Profit before Tax	467,387	545,578	545,187	574,270	5%	573,308
Income Tax	11,204	1,753	2,045	414	-80%	1,842
Profit after Tax	456,184	543,825	543,142	573,856	6%	571,466

* estimates prepared by EFG Eurobank Securities

Fondul Proprietatea: Balance Sheet (RAS)						
RON'000	2010	2011	6M/11	6M/12	6M ytd	
Current Assets	1,332,433	549,199	1,045,862	1,188,843	116%	
Cash and equivalents	1,071,973	297,393	702,336	926,385	212%	
Receivables	12,438	55,886	327,659	122,614	119%	
ST financial investments	248,021	195,920	15,867	139,844	-29%	
Fixed Assets	10,890,523	10,627,878	12,003,139	11,428,115	8%	
Tangibles	0	0	0	0		
Intangibles	0	0	0	0		
Financial assets	10,890,523	10,627,878	12,003,139	11,428,115	8%	
Prepaid expenses	31	28	129	113		
Total Assets	12,222,987	11,177,105	13,049,130	12,617,071	13%	
Current Liabilities	69,287	42,207	245,396	425,887	909%	
Payables	25,529	27,540	22,982	9,125	-67%	
Bank loans	0	0	0	0		
Other liabilities	43,758	14,666	222,414	416,763		
Long-term liabilities	0	0	0	0		
Total Liabilities	69,287	42,207	245,396	425,887	909%	
Shareholders' Equity	12,139,275	11,120,701	12,789,536	12,176,379	9%	
Common stock	13,778,392	13,778,392	13,778,392	13,778,392	0%	
Unpaid	0	370,823	21,436	365,612		
Paid-in	13,778,392	13,407,569	13,756,956	13,412,780	0%	
Revaluation reserves	0	0	0	0		
Reserves	(2,146,210)	(3,128,333)	(1,571,078)	(2,138,853)	-32%	
Results carried forward	74,279	74,364	74,364	83,252		
Current results	456,184	543,825	543,142	573,856	6%	
Profit distribution	23,369	27,279	0	0		
Accrued revenues, provisions	14,424	14,198	14,198	14,805	4%	
Total Liabilities & Equity	12,222,987	11,177,105	13,049,130	12,617,071	13%	

Source: Company

IMPORTANT DISCLOSURES

This report has been issued by EFG EUROBANK SECURITIES S.A., a member of the EFG Group. EFG EUROBANK SECURITIES S.A., is regulated by the Romanian Securities Commission (CNVM). This report may not be reproduced in any manner or provided to any other persons.

Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell securities mentioned herein. The investments discussed in this report may be unsuitable for investors, depending on their specific investment objectives and financial position. The investments discussed in this report are subject to risks and in respect of some investments there is risk for multiplied losses to be caused in respect to the capital invested.

The information contained herein has been obtained from sources believed to be reliable but it has not been verified by EFG EUROBANK SECURITIES S.A. The opinions expressed herein may not necessarily coincide with those of any member of the EFG Group. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness of fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility of liability whatsoever or howsoever arising is accepted in relation to the contents hereof by EFG EUROBANK SECURITIES S.A. or any of its directors, officers or employees.

EFG EUROBANK SECURITIES S.A follows procedures under EFG Group policies that set up Chinese Walls, restricting communication between Research and other Departments of the Group so that EFG EUROBANK SECURITIES S.A. complies with regulations on confidential information and market abuse.

EFG EUROBANK SECURITIES S.A., or any of its related legal persons, does not hold shareholdings exceeding 5% of the total issued share capital in any of the subject companies mentioned in this report.

None of the subject companies mentioned in this report holds shareholdings exceeding 5% of the total issued share capital of EFG EUROBANK SECURITIES S.A, or any of its related legal persons.

Analyst Certification:

This report has been written by Manuela Ogrinja (Equity Analyst).

Analyst Compensation:

The remuneration of Manuela Ogrinja is not tied to the investment banking services performed by EFG EUROBANK SECURITIES S.A or any of its related legal persons.

Manuela Ogrinja did not receive or purchase the shares of the subject companies mentioned in this report prior to a public offering of such shares. Manuela Ogrinja does not have a significant financial interest in one or more of the financial instruments which are the subject of this report or a significant conflict of interest with respect to the subject companies mentioned in this report a) that are accessible or reasonably expected to be accessible to the persons involved in the preparation of this report or b) known to persons who, although not involved in the preparation of this report, had or could reasonably be expected to have access to this report prior to its dissemination to customers or the public.

Planned Frequency of Updates:

EFG EUROBANK SECURITIES S.A provides daily and monthly updates as well as updates on companies based on company-specific developments or quarterly financial results announcements or any other publicly available information.

12-month Rating History of Fondul Proprietatea

Date	Rating	Stock price	Target price
17-Oct-2011	Outperform	RON 0.4453	RON 1.0070
18-Nov-2011	Outperform	RON 0.4500	RON 0.9779
16-Dec-2011	Outperform	RON 0.4250	RON 0.9981
25-Jan-2012	Outperform	RON 0.4700	RON 0.9159
21-Feb-2012	Outperform	RON 0.5340	RON 0.9174
28-Mar-2012	Outperform	RON 0.5900	RON 0.9180
31-May-2012	Outperform	RON 0.4920	RON 0.8501
23-Jul-2012	Outperform	RON 0.4750	RON 0.6258

Source: EFG Eurobank Securities Romania

EFG EUROBANK SECURITIES SA Rating System:

Our rating system is based on the expected performance of the stock relative to the Bucharest Stock Exchange Composite index over a 12-month period. The underlying assumption is a flat market.

Stock Ratings	Explanation	% of EFG Eurobank Securities Recommendations
Outperform	Expected outperformance of 10%-20%	66.7%
Market Perform	Expected performance in line with the index ie +/- 10%	8.3%
Under Perform	Expected underperformance of 10%-20%	8.3%
Restricted	Under EFG Group policy and/or regulations which do not allow ratings	0.0%
Under revision	Under revision in the current period	16.7%

Source: EFG Eurobank Securities Romania