

**Fondul Proprietatea: Main developments**

**End-Jan NAV at RON 1.129/sh, 53% price discount**

End-Jan NAV came in at RON 1.1290/sh, +4.6% m/m triggered by favorable market performance. Listed portfolio advanced 14% m/m (OMV Petrom +17% m/m), unlisted shares expectedly flat m/m. Based on end-Jan NAV, the stock is traded at a hefty 53% discount.

**Shareholdings in consolidation**

The ownership structure at Jan/11 shows the Romanian state's interest almost nil, while foreign investors reached 55%. Of these, members of US Elliott group reportedly hold a 12.9% stake, City of London 7.2% and Palade van Dusen Georgia 6.5%.

**Requests to call the SGM for the secondary listing and BoN replacement**

Four shareholders jointly holding in excess of a 5% stake (Georgia Palade van Dusen, Philippe Palade, Grantelast Ltd and POAH One Acquisition Holdings IV Ltd) requested the administrator to call the SGM to: (i) approve in principle the secondary listing on the Warsaw SE; (ii) solicit Franklin Templeton to present a plan to shareholders by May 31 with required listing formalities and schedule a SGM to vote all necessary matters by June 30, and (iii) replace the Board of Nominees. According to the law, the administrator is required to call/hold the SGM in 30/60 days respectively from the request date (Feb 8). We construe that if the SGM approves the listing, CNVM will finally give its consent on the matter. Also, we did expect the request to change the BoN as the body reflects an old ownership structure.

**Request to call the SGM to incentivize the administrator to sell portfolio holdings and distribute cash to shareholders, with the aim to increase the trading price**

Manchester Securities Corp solicited the convocation of the SGM to approve an additional payment to the administrator worth 1.5% of the value of special dividends / shares that will be redeemed during 2012-2013 and 1.0% afterwards (over the 0.479% of mktcap current fee). Special dividends represent distribution of cash from disinvestments in excess of NP. The SGM should be held by April 8. The stated rational of the request is to narrow the discount between the trading price and the portfolio value by incentivizing the administrator to sell portfolio holdings and distribute cash to shareholders.

**Board to propose RON 0.038/sh gross dividend to the SGM (gross divyield 7.1%)**

Following the disclosure of the 2011 results (NP of RON 544m), Franking Templeton announced it would propose a RON 0.038/sh gross dividend to the SGM for approval, which points to a 94% payout ratio and 7.1% gross dividend yield.

**Main takeaways from the confcall to present the 2011 results**

- economy posts good fundamentals (stable LCY, CDS favorably reflect the IMF agreement, manageable banking L/D and corporate credit growth among the highest in the region)
- in 2011 the fund invested in Erste Bank, Raiffeisen Bank, Banca Transilvania and increased interests in Alro, Azomures, BRD GSG, Conpet
- investment policy remains focused on increasing listed assets
- the administrator continues to pursue active portfolio mgt: nominated board members and independent directors in issuers accounting for 75% of NAV
- new gov't is likely to continue the initiated privatizations, but deadlines extension is possible
- Julian Healy, representative of City of London Investment Mgt, was appointed interim member of the BoN.

Latest NAV Statement Jan 31, 12					Stated values		EFG est. (Fair Values)	
RONm	Dec-10	Dec-11	Jan-12	m/m	2012*	vs stated		
Listed companies	4,934	4,822	5,496	14.0%	6,152	11.9%		
Unlisted companies	9,145	9,151	9,151	0.0%	6,956	-24.0%		
Cash and similar acc.	1,326	494	466	-5.7%	466	0.0%		
<b>Total assets</b>	<b>15,412</b>	<b>14,522</b>	<b>15,168</b>	<b>4.4%</b>	<b>13,574</b>	<b>-10.5%</b>		
Total debts	69	42	16	-62.6%	16	0.0%		
<b>NAV</b>	<b>15,328</b>	<b>14,465</b>	<b>15,138</b>	<b>4.6%</b>	<b>10,846</b>	<b>-28.3%</b>		
NAV/sh*	1.1125	1.0789	1.1290	4.6%	0.8087	-28.4%		
Price Discount to NAV*	-52.00%	-50.50%	-52.70%		-33.97%			
NP	456	544	4		542			
EPS	0.0340	0.0405	0.0003		0.0404			

\* EFG valuation additionally discounts NAV by 20.0%

**Monthly Report**

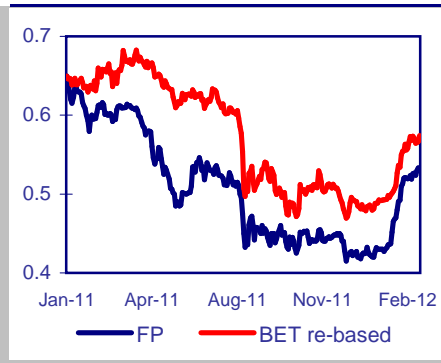
**Trading Price\*:** RON 0.5340  
**TP** RON 0.9174

\*as of: Feb 21, 2012

Recommendation, reiterated

**Outperform**

**FP Share Price**



Share Statistics		
Bloomberg Ticker	FP RO	
Reuters Ticker	FP.BX	
Share price (RON)	0.5340	
Share price (EUR)	0.1226	
Price YTD	25.1%	
High / Low Price 52W (RON)	0.616 / 0.4151	
Avg Daily Value 6M (EURm)	3.49	
Market cap. (EURm)	1,645	
Value of 1% stake (EURm)	16.4	
Shares outstanding (m)	13,413	
Free float (%)	85.3%	
	<b>2011</b>	<b>2012e</b>
P/E	13.17	13.21
P/B	0.64	0.64
P/(D) to NAV* (%)	(50.50)	(52.86)
P/(D) to Fair NAV** (%)	(33.97)	(41.79)
*mkt-driven valuation ** fundamental / RV		

Ownership Structure (m) end-Jan/12		
Ministry of Finance	5	0.04%
Romanian individuals	4,535	33.8%
Romanian legal entities	1,265	9.4%
Foreign individuals	1,264	9.4%
Foreign legal entities	6,103	45.5%
Redeemed shares	240	1.8%
<b>Total no of paid shares</b>	<b>13,413</b>	<b>100.0%</b>
Elliott Associates		12.9%
City of London		7.2%
Palade van Dusen Georgia		6.5%
<b>State's unpaid shares</b>	<b>366</b>	
<b>Total no of shares</b>	<b>13,653</b>	

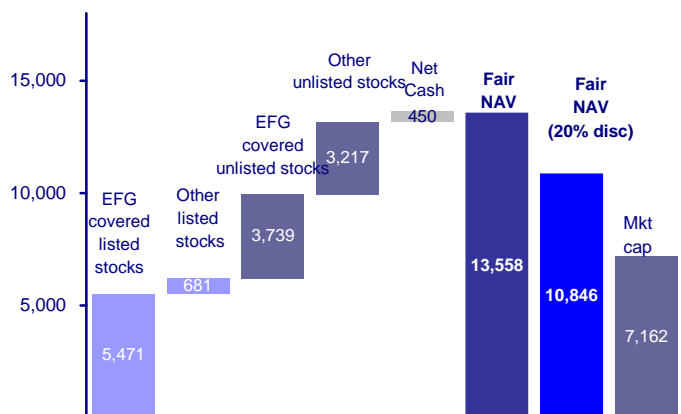
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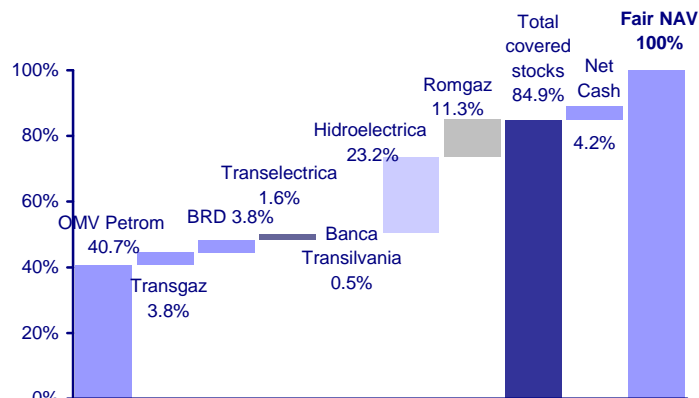
research@efgsec.ro

### Base-case Scenario - Fair NAV composition (RONm)



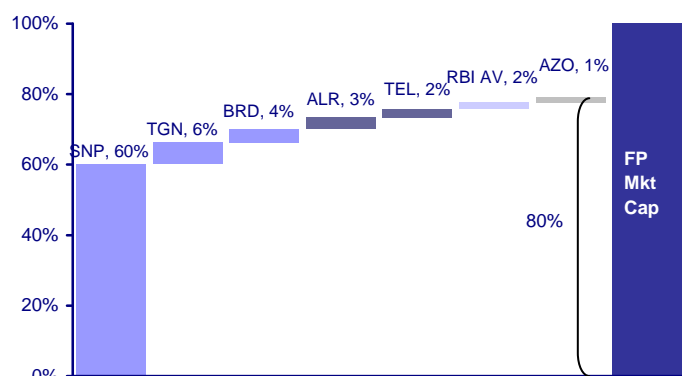
Source: EFG Eurobank Securities estimates

### EFG Eurobank covered stocks' contribution to Fair NAV



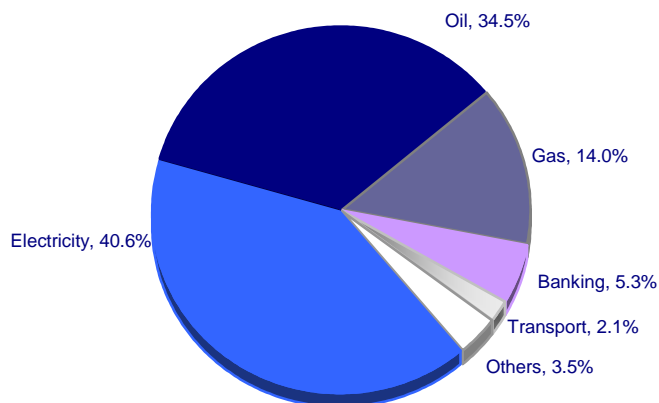
Source: EFG Eurobank Securities estimates

### Weight of listed stocks' mkt values in FP mkt cap\*



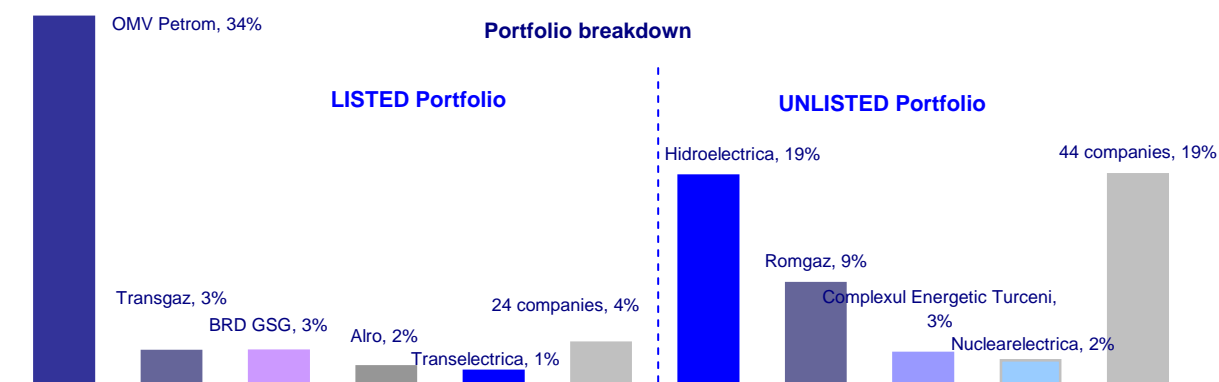
Source: EFG Eurobank Securities \* stocks at trading price

### Portfolio Structure by Sector



Source: EFG Eurobank Securities estimates

### Portfolio breakdown



EFG Eurobank Securities estimates

## EFG EUROBANK COVERED STOCKS VALUATION RONm

Company	PF Stake	Valuation method	EFG Valuation*	% in Fair NAV	Marked-to-market	Official Valuation (Dec/11)**	EFG vs Official
<b>Listed stocks</b>							
OMV Petrom	20.1%	DCF	4,418	40.7%	4,304	3,303	33.7%
BRD GSG	3.6%	GGM/RV	414	3.8%	279	272	52.3%
Transgaz	15.0%	DCF/RV	410	3.8%	448	394	4.1%
Transelectrica	13.5%	DCF	172	1.6%	174	172	-0.1%
Banca Transilvania	2.9%	GGM/RV	57	0.5%	53	46	24.4%
<b>Total value of covered listed stocks</b>			<b>5,471</b>	<b>50.4%</b>	<b>5,258</b>	<b>4,188</b>	<b>30.7%</b>
<b>Unlisted stocks</b>							
Hidroelectrica	19.9%	EV/Capacity, RV	2,514	23.2%	n/a	3,340	-24.7%
Romgaz	15.0%	EV/Reserves, RV	1,225	11.3%	n/a	1,220	0.4%
<b>Total value of covered unlisted stocks</b>			<b>3,739</b>	<b>34.5%</b>		<b>4,561</b>	<b>-18.0%</b>

Source: Company, EFG Eurobank Securities estimates

\* DCF/GGM valuations as of the last assessment

\*\* based on the SEC's regulations (last trading price in the reported period)

GGM - Gordon Growth Model; RV - Relative Valuation

## OTHER HOLDINGS RONm

Company	Valuation method	PF Stake	EFG Valuation	Official Valuation*	EFG vs Official**
<b>Listed stocks</b>					
Alro	mark-to-market	10.2%	226	237	-4.5%
Raiffeisen Bank International	mark-to-market	0.5%	126	94	33.6%
Azomures	mark-to-market	11.1%	102	79	29.6%
Erste Group Bank	mark-to-market	0.3%	100	72	39.4%
Conpet	mark-to-market	29.7%	100	90	11.5%
Oil Terminal	mark-to-market	8.5%	9	9	6.7%
Delfincom	mark-to-market	65.5%	4	4	0.0%
Other listed stocks			13	50	-74.6%
<b>Total value of other listed stocks</b>			<b>681</b>	<b>634</b>	<b>7.3%</b>
<b>Unlisted stocks***</b>					
Complexul Energetic Turceni	relative valuation	24.8%	388	523	-25.8%
Nuclearelectrica	relative valuation	9.7%	299	507	-40.9%
Enel Distributie Muntenia	relative valuation	12.0%	281	337	-16.7%
Enel Distributie Banat	relative valuation	24.1%	264	317	-16.7%
Compania Nationala Aeroporturi Bucuresti	relative valuation	20.0%	226	322	-29.8%
Complexul Energetic Rovinari	relative valuation	23.6%	215	290	-25.8%
Electrica Distributie Muntenia Nord	relative valuation	22.0%	198	238	-16.7%
Complexul Energetic Craiova	relative valuation	24.4%	198	267	-25.8%
E.ON Moldova Distributie	relative valuation	22.0%	184	221	-16.7%
Enel Distributie Dobrogea	relative valuation	24.1%	182	219	-16.7%
Electrica Distributie Transilvania Sud	relative valuation	22.0%	153	184	-16.7%
GDF Suez Energy Romania	relative valuation	12.0%	147	339	-56.7%
Electrica Distributie Transilvania Nord	relative valuation	22.0%	142	171	-16.7%
Posta Romana	relative valuation	25.0%	92	140	-34.4%
Other unlisted stocks			247	517	-52.2%
<b>Total value of other unlisted stocks</b>			<b>3,217</b>	<b>4,590</b>	<b>-29.9%</b>

Source: Company, EFG Eurobank Securities

\* based on the SEC's regulations (last trading price in the reported period)

\*\* for 'other listed stocks' - valuation differences btw EFG and SEC are due to the timing

<b>Net Asset Value official computation</b>				
<b>RON</b>	<b>Dec-10</b>	<b>Dec-11</b>	<b>Jan-12</b>	<b>m/m</b>
<b>1. Fixed Assets, out of which:</b>	<b>9,175,900</b>	<b>9,169,362</b>	<b>9,162,722</b>	<b>-0.07%</b>
1.1. Intangible Assets	0	0	0	
1.2. Tangible Assets	0	0	0	
<b>1.3. Financial Assets, out of which:</b>	<b>9,175,900</b>	<b>9,169,362</b>	<b>9,162,722</b>	<b>-0.07%</b>
1.3.1. Listed shares	30,800	18,776	12,135	-35.37%
1.3.2. Unlisted shares	9,145,015	9,150,586	9,150,587	0.00%
1.3.3. T-Bills	0	0	0	
1.3.4. CDs	0	0	0	
1.3.5. Bank deposits	0	0	0	
1.3.10. Other financial assets	85	0	0	0.00%
<b>2. Current Assets, out of which:</b>	<b>6,235,948</b>	<b>5,352,393</b>	<b>6,005,007</b>	<b>12.19%</b>
2.1. Inventories	0	0	0	
2.2. Receivables	5,979	55,009	55,504	0.90%
2.3. Cash	7,208	1,913	1,407	-26.43%
2.4. Short-term financial investments:	4,903,476	4,803,195	5,483,472	14.16%
2.4.1. Listed shares	4,903,476	4,803,195	5,483,472	14.16%
2.4.2. Unlisted shares	0	0	0	
2.5. Newly issued securities	0	0	0	
2.6. T-Bills	248,021	195,920	196,940	0.52%
2.7. Bank deposits	1,071,264	296,357	267,685	-9.67%
2.8. CDs	0	0	0	
2.9. Other current assets	0	0	0	
<b>3. Derivatives</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>4. Prepaid expenses</b>	<b>31</b>	<b>28</b>	<b>0</b>	
<b>5. Total Assets</b>	<b>15,411,879</b>	<b>14,521,784</b>	<b>15,167,730</b>	<b>4.45%</b>
<b>6. Total Debts</b>	<b>69,287</b>	<b>42,207</b>	<b>15,804</b>	<b>-62.56%</b>
6.1. Bonds	0	0	0	
6.2. Debt to credit / leasing companies	0	0	0	
6.3. Advances from customers	0	0	0	
6.4. Trade debt	25,529	27,540	2,958	-89.26%
6.5. Commercial notes	0	0	0	
6.6. Debt to other entities in the group	0	0	0	
6.7. Other debt	43,758	14,666	12,846	-12.41%
<b>7. Provisions</b>	<b>14,424</b>	<b>14,198</b>	<b>14,198</b>	<b>0.00%</b>
<b>8. Accrued revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	
8.1. Investment subsidies	0	0	0	
8.2. Accrued revenues	0	0	0	
<b>9. Shareholders' Equity</b>	<b>15,328,168</b>	<b>14,465,379</b>	<b>15,137,728</b>	<b>4.65%</b>
9.1. Share capital	13,778,392	13,778,392	13,778,392	0.00%
9.2. Share premia	0	0	0	
9.3. Revaluation reserves	3,188,768	3,344,679	4,013,329	19.99%
9.4. Reserves	-2,146,210	-3,248,602	-3,248,602	0.00%
9.5. Results carried forward	74,279	74,364	590,910	
9.6. Current results	456,308	543,825	3,698	
9.7. Profit distribution	-23,369	-27,279	0	
<b>10. Total Liabilities and Equity</b>	<b>15,411,879</b>	<b>14,521,784</b>	<b>15,167,730</b>	<b>4.45%</b>
<b>11. Net Asset Value</b>	<b>15,328,168</b>	<b>14,465,379</b>	<b>15,137,728</b>	<b>4.65%</b>
12. Number of issued shares ('000)	13,778,392	13,407,569	13,407,569	0.00%
<b>13. NAV per share</b>	<b>1.1125</b>	<b>1.0789</b>	<b>1.1290</b>	<b>4.65%</b>
<b>14. No of companies in the portfolio</b>	<b>83</b>	<b>75</b>	<b>73</b>	<b>-2.67%</b>
14.1. Listed on the regulated market	28	29	27	-6.90%
14.2. Listed on the ATS	0	0	0	
14.3. Unlisted companies	55	46	46	0.00%

Source: FP's monthly reportings

**Fondul Proprietatea: Income Statement (RAS)**

RON'000	2008	2009	2010	2011	y/y
<b>Operating revenues</b>	<b>524,086</b>	<b>1,320,363</b>	<b>576,629</b>	<b>617,889</b>	<b>7%</b>
Financial holdings	384,751	118,165	179,049	519,065	190%
Sale of financial assets	0	980,238	0	13,376	
Provisions, reactivated receivables	11,476	31,566	217,363	30,515	-86%
FX differences	43,355	47,727	47,735	1,617	
Interest	84,454	142,470	131,466	41,129	-69%
Others	51	196	1,017	12,187	
<b>Operating expenses</b>	<b>43,088</b>	<b>486,170</b>	<b>109,242</b>	<b>72,311</b>	<b>-34%</b>
Sale of financial assets	0	428,743	0	4,576	
FX differences	23,824	32,996	56,900	916	
Interest	1	0	0	0	
Fees and commissions	103	312	6,005	17,241	187%
Banking services	120	150	130	57	-56%
Depreciation, provisions, loss of receivables	3,157	644	240	11,706	
Materials	147	144	156	0	
Energy & water	41	46	27	0	
Personnel	6,606	13,508	4,068	849	
Outside services	8,851	8,806	33,564	36,808	10%
Taxes and duties	238	823	8,152	157	
<b>Operating profit</b>	<b>480,998</b>	<b>834,193</b>	<b>467,387</b>	<b>545,578</b>	<b>17%</b>
<b>Profit before Tax</b>	<b>480,998</b>	<b>834,193</b>	<b>467,387</b>	<b>545,578</b>	<b>17%</b>
Income Tax	13,297	104,054	11,204	1,753	
<b>Profit after Tax</b>	<b>467,701</b>	<b>730,138</b>	<b>456,184</b>	<b>543,825</b>	<b>19%</b>

**Fondul Proprietatea: Balance Sheet (RAS)**

RON'000	2008	2009	2010	2011	y/y
<b>Current Assets</b>	<b>1,539,639</b>	<b>2,666,766</b>	<b>1,332,433</b>	<b>549,199</b>	<b>-59%</b>
Cash and equivalents	572,156	2,151,217	1,071,973	297,393	-72%
Receivables	569,834	515,549	12,438	55,886	349%
ST financial investments	397,648	0	248,021	195,920	-21%
<b>Fixed Assets</b>	<b>9,411,453</b>	<b>9,552,644</b>	<b>10,890,523</b>	<b>10,627,878</b>	<b>-2%</b>
Tangibles	764	496	0	0	
Intangibles	3	10	0	0	
Financial assets	9,410,687	9,552,138	10,890,523	10,627,878	-2%
Prepaid expenses	1,035	57	31	28	-8%
<b>Total Assets</b>	<b>10,952,127</b>	<b>12,219,467</b>	<b>12,222,987</b>	<b>11,177,105</b>	<b>-9%</b>
<b>Current Liabilities</b>	<b>9,179</b>	<b>7,378</b>	<b>69,287</b>	<b>42,207</b>	<b>-39%</b>
Payables	1,919	108	25,529	27,540	8%
Bank loans	0	0	0	0	
Other liabilities	7,260	7,269	43,758	14,666	-66%
<b>Long-term liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total Liabilities</b>	<b>9,179</b>	<b>7,378</b>	<b>69,287</b>	<b>42,207</b>	<b>-39%</b>
<b>Shareholders' Equity</b>	<b>10,926,862</b>	<b>12,197,027</b>	<b>12,139,275</b>	<b>11,120,701</b>	<b>-8%</b>
Common stock	14,240,541	14,240,541	13,778,392	13,778,392	0%
Unpaid	561,266	497,420	0	370,823	
Paid-in	13,679,275	13,743,121	13,778,392	13,407,569	-3%
Share premia	0	0	0	0	
Revaluation reserves	0	0	0	0	
Reserves	(3,832,132)	(3,242,109)	(2,146,210)	(3,128,333)	46%
Results carried forward	74,136	504,964	74,279	74,364	
Current results	467,701	730,138	456,184	543,825	19%
Profit distribution	23,385	36,507	23,369	27,279	17%
Accrued revenues, provisions	16,085	15,063	14,424	14,198	-2%
<b>Total Liabilities &amp; Equity</b>	<b>10,952,127</b>	<b>12,219,467</b>	<b>12,222,987</b>	<b>11,177,105</b>	<b>-9%</b>

Source: Company

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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
Jul 12, 2011	Outperform	RON 0.5240	RON 1.0565
Oct 17, 2011	Outperform	RON 0.4453	RON 1.0070
Nov 18, 2011	Outperform	RON 0.4500	RON 0.9779
Dec 16, 2011	Outperform	RON 0.4250	RON 0.9981
Jan 25, 2012	Outperform	RON 0.4700	RON 0.9159

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%	65.0%
Market Perform	Expected performance in line with the index ie +/- 10%	25.0%
Under Perform	Expected underperformance of 10%-20%	10.0%
Restricted	Under EFG Group policy and/or regulations which do not allow ratings	0.0%

Source: EFG Eurobank Securities Romania