

Fondul Proprietatea: Monthly Update

Sector: financials

End-Aug NAV +0.2% m/m to RON 0.9449/sh, price discount of 43%

The end-Aug NAV edged up 0.2% m/m to RON 0.9449/sh, with total listed portfolio +0.5% m/m and unlisted stocks flat m/m. Listed securities made 47% of the total equity portfolio and unlisted 53%. Net cash position improved by 4% m/m to RON 748m on lower payables. In the first 8 months, the fund recorded NP of RON 574m, quite flat (-0.1%) vs the figure recorded a month before. Based on the end-Aug official NAV (with Hidroelectrica booked at 0), the stock is favorably traded at a 42.9% discount.

Shareholding structure at end-Aug, consolidation in progress

The shareholding structure for end-Aug shows that compared to a month before, foreign institutional investors managed to increase stake to 52.0% (from 51.2%) and holding of foreign individuals slightly declined to 6.6%. Also, local individuals and legal entities abated their interest to 30.0% and 9.6% respectively. Redeemed shares accounted for 1.8%. We note that total number of shareholders was lower by 0.7% to 9,567, signaling stakeholders consolidation.

Elliot group reached 15% of voting rights in Sept

Manchester Securities Corp and Beresford Energy Corp (both affiliates of Elliott group of companies) reported at mid-Sept a slight increase of their interest in the fund, to 14.5%, thus reaching 15.2% of the total number of voting rights.

Ytd stock price performance 2.0x vs BET index

On the upside, FP's ytd price performance remains elevated, exceeding twofold the BET index growth at Sept 21 (FP: +26.5% ytd, BET: +13.2% ytd). As regards the last month trading (Sept 21/ Aug 21), the stock performance has expectedly tempered (FP: +0.9% m/m, BET: +1.0% m/m).

Overall positive news on investees

OMV Petrom (SNP RO, 36% of official NAV): The regulator now allows the gas-fired power plant in Brazil to use only domestic cheap gas (instead of the natgas basket consumption combining internally-produced gas with imports quota). The legal provision is valid by end-2014. We expect improvement of both segment and group profitability (G&P segment generates c. 6% of EBIT).

Hidroelectrica (0% of NAV since June, 24% at Dec): After the energy contracts re-negotiation, the judicial administrator stated that up to 10% of headcount might be laid-out in the future and the labor contracts will be re-negotiated with the union to cut the high bonuses and severance payments. News is positive, as downward-adjusted labor costs will improve overall profitability.

Nuclearelectrica (4% of official NAV): The auction to select brokers for the state's 10% IPO planned next year was delayed to Sept 28. Recall this is the second attempt to appoint a broker, after a first selection procedure was cancelled in May due to lack of offers.

Transgaz (TGN RO, 3% of official NAV): S&P cut rating to 'BB' as regulatory uncertainty and high dividends could weaken the company's financial risk; liquidity is considered adequate despite expectations that projected sources of liquidity (CFOs, bank lines) might exceed projected uses (capex, debt maturities, WC, divids); SPO to be launched possibly in Oct

Posta Romana (0.8% of official NAV): Gov't will start privatization talks with Belgian postal operator, according to press reports. Also, national postal operators in Austria, Belgium, Germany, Italy, the UK and Sweden allegedly are interested in the company's privatization.

Latest NAV Statement: Aug 31, 2012

RONm	Dec-11	Jul-12	Aug-12	Δ m/m	Δ ytd	2012e
Listed companies	4,822	5,583	5,611	0.5%	16.4%	5,809
Unlisted companies	9,151	6,315	6,315	0.0%	-31.0%	6,441
Cash and similar acc.	494	813	777	-4.4%	57.3%	753
Total assets	14,522	12,757	12,719	-0.3%	-12.4%	13,035
Total debt	42	94	29	-68.8%	-30.2%	28
NAV	14,465	12,648	12,675	0.2%	-12.4%	12,993
NAV/sh	1.0789	0.9429	0.9449	0.2%	-12.4%	0.9687
Price P(D) to NAV	-49.9%	-42.7%	-42.9%			-44.3%
NP	544	575	574	-0.1%		571
EPS	0.0405	0.0429	0.0428	-0.1%		0.0426

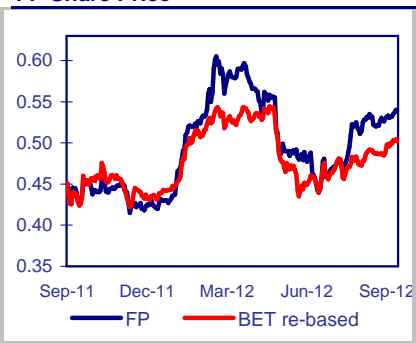
Trading Price*: RON 0.5400
TP RON 0.6413

* at Sep 21, 2012

Recommendation

Outperform

FP Share Price



Share Statistics

Bloomberg Ticker	FP RO	
Reuters Ticker	FP.BX	
Share price (RON)	0.5400	
Share price (EUR)	0.1198	
Price YTD	26.5%	
High / Low Price 52W (RON)	0.6050/ 0.4151	
Avg Daily Value 6M (EURm)	2.66	
Market cap. (EURm)	1,606	
Value of 1% stake (EURm)	16.1	
Shares outstanding (m)	13,413	
Free float (%)	85.5%	
	<u>2011</u>	<u>2012e</u>
P/E	13.32	12.67
P/B	0.65	0.64
P(D) to NAV (%)	(49.95)	(44.26)
P(D) to Target Price (%)		15.80

Ownership Structure (m) Aug/2012

Foreign legal entities	6,978	52.0%
Foreign individuals	885	6.6%
Romanian individuals	4,021	30.0%
Romanian legal entities	1,288	9.6%
Ministry of Finance	1	0.0%
Redeemed shares	240	1.8%
Total no of paid shares	13,413	100.0%
Elliot group*		14.5%
State's unpaid shares	366	
Total no of shares	13,653	
Total no of shareholders		9,567

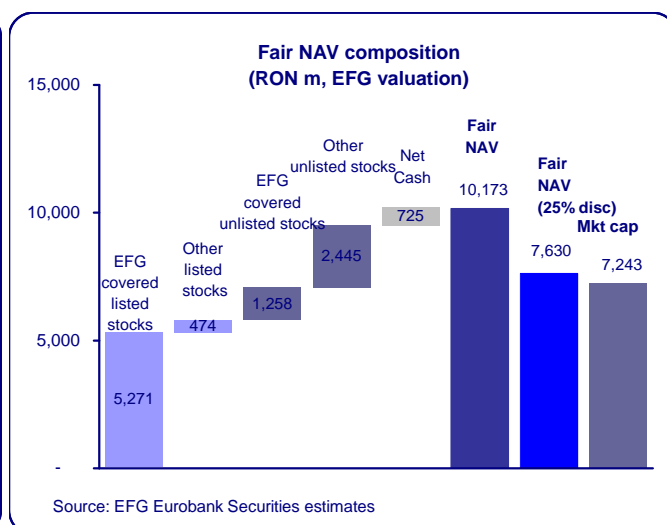
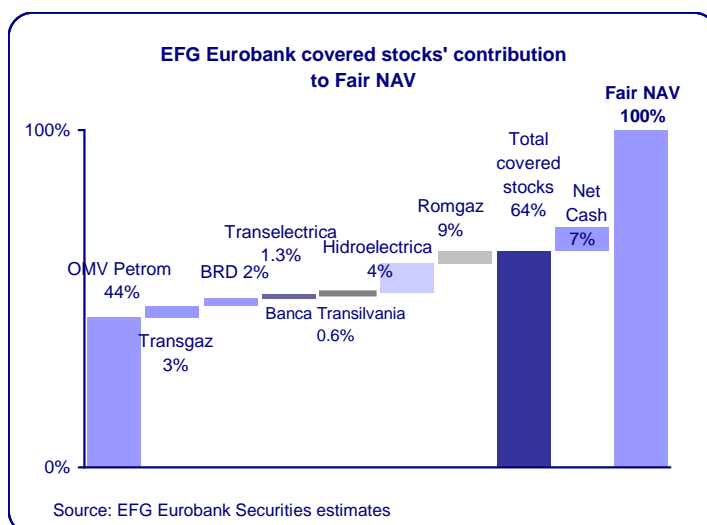
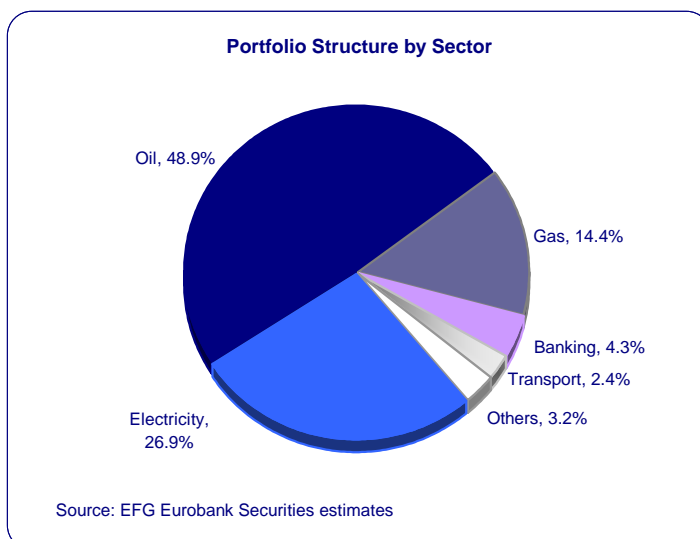
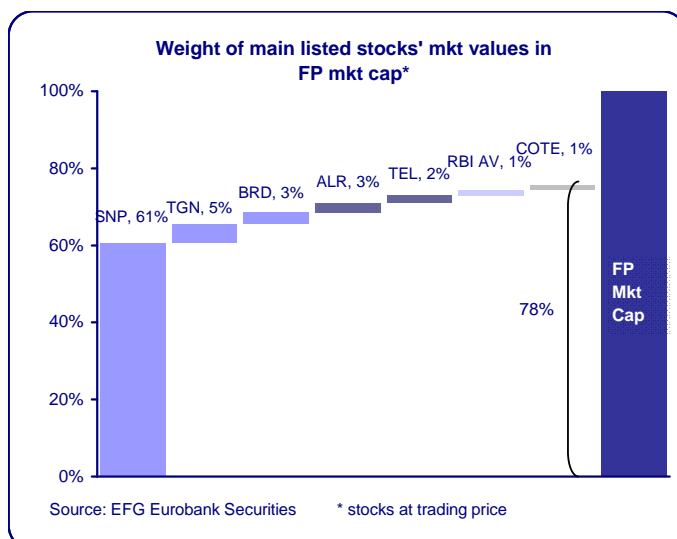
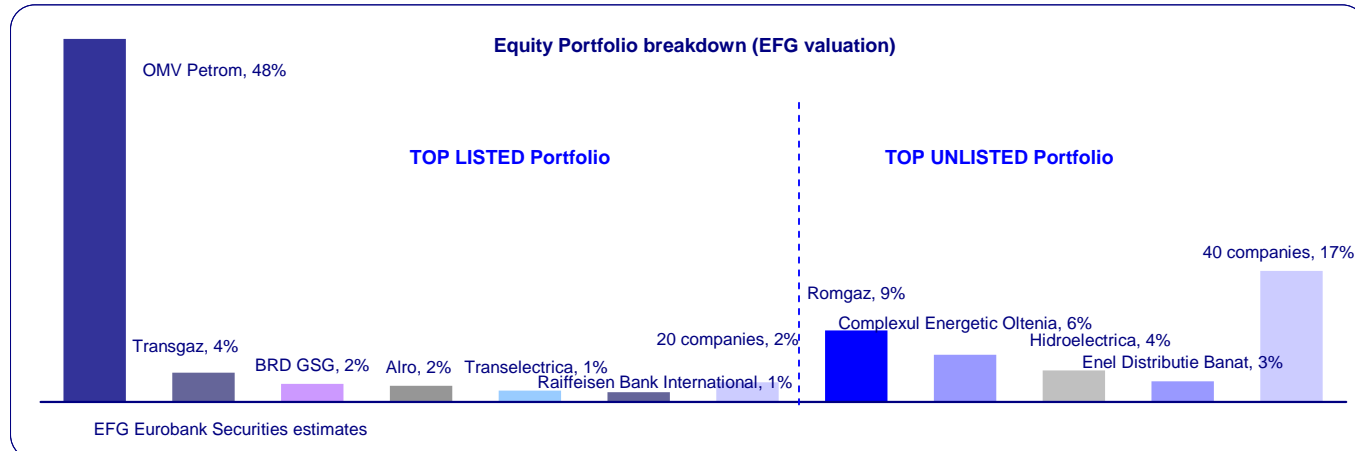
* at mid-Sept

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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 listed investees are due to the timing

Dividend History

Fondul Proprietatea: Dividend Inflow from Investees									
Company	% Official Portfolio (Jun/12)	FP's stake	FP - Net Divid Inflows (RON m)			Issuer's			
			2012	2011	2010	Net Profit (RON m)		Divid Payout %	
						2011	2010	2011	2010
OMV Petrom	36%	20%	353.1	201.5	-	3,757	2,190	47%	46%
Romgaz	11%	15%	140.6	106.0	87.8	1,032	651	90%	109%
Transgaz	3%	15%	52.5	50.8	23.0	380	376	92%	90%
Alro	1%	10%	19.4	13.5	11.2	228	160	99%	100%
Transelectrica	1%	13%	10.9	1.2	0.5	91	10	89%	90%
Compania Nationala Aeroporturi Bucuresti	3%	20%	9.4	9.9	6.6	53	43	90%	117%
Conpet	1%	30%	6.6	10.3	5.6	29	39	78%	90%
CN Administratia Porturilor Maritime	1%	20%	6.6	n/a	n/a	n/a	25	n/a	n/a
Complexul Energetic Rovinari	0%	24%	6.5	-	0.1	33	1	-	-
BRD GSG	2%	4%	3.6	2.1	-	465	501	25%	25%
Raiffeisen Bank International	1%	0%	3.0	4.5	-	4,306	4,839	21%	19%
Electrica Distributie Muntenia Nord	2%	22%	1.8	-	-	67	27	12%	0%
Aeroportul International Timisoara - Traian Vuia	0%	20%	1.7	n/a	n/a	n/a	n/a	n/a	n/a
CN Administratia Porturilor Dunarii Fluviale	0%	20%	0.7	n/a	n/a	n/a	n/a	n/a	n/a
CN Administratia Canalelor Navigabile	0%	20%	0.5	n/a	n/a	n/a	n/a	n/a	n/a
CN Administratia Porturilor Dunarii Maritime	0%	20%	0.2	n/a	n/a	n/a	n/a	n/a	n/a
Oil Terminal	0%	8%	0.1	-	-	1	2	299%	88%
Complexul Energetic Craiova	0%	24%	0.0	-	0.1	1	0	-	-
ENEL Distributie Banat	4%	24%	-	20.2	-	221	148	-	46%
ENEL Distributie Dobrogea	3%	24%	-	13.5	-	109	100	-	56%
Complexul Energetic Turceni	0%	25%	-	-	-	56	(69)	-	-
Nuclearelectrica	4%	10%	-	-	-	95	13	-	-
Hidroelectrica	0%	20%	-	52.5	6.5	9	292	-	90%
ENEL Distributie Muntenia	3%	12%	-	-	-	51	105	-	-
E.ON Moldova Distributie	3%	22%	-	-	-	7	165	-	-
E.ON Gaz Distributie	1%	12%	-	-	n/a	231	160	-	-
Electrica Distributie Transilvania Sud	2%	22%	-	-	-	20	12	-	-
Electrica Distributie Transilvania Nord	2%	22%	-	-	-	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%
Gross dividend / share (RON)	0.0405	0.0385	0.0314

Source: FP, EFG Eurobank Securities for estimates

* dividends distributable if NAV exceeds share capital

Stock Trading Performance vs BET index



Net Asset Value official computation						
RON	Dec-10	Dec-11	Jul-12	Aug-12	Aug ytd	m/m
1. Fixed Assets, out of which:	9,175,900	9,169,362	6,324,727	6,333,388	-31%	0%
1.1. Intangible Assets	0	0	0	161		
1.2. Tangible Assets	0	0	0	0		
1.3. Financial Assets, out of which:	9,175,900	9,169,362	6,324,727	6,333,227	-31%	0%
1.3.1. Listed shares	30,800	18,776	9,777	18,278	-3%	87%
1.3.2. Unlisted shares	9,145,015	9,150,586	6,314,949	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	6,432,004	6,385,569	19%	-1%
2.1. Inventories	0	0	0	0		
2.2. Receivables	5,979	55,009	45,931	15,505	-72%	-66%
2.3. Cash	7,208	1,913	8,343	2,497		
2.4. Short-term financial investments:	4,903,476	4,803,195	5,573,231	5,592,731	16%	0%
2.4.1. Listed shares	4,903,476	4,803,195	5,573,231	5,592,731	16%	0%
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	263,104	289,955	48%	10%
2.7. Bank deposits	1,071,264	296,357	541,395	484,882	64%	-10%
2.8. CDs	0	0	0	0		
2.9. Other current assets	0	0	0	0		
3. Derivatives	0	0	0	0		
4. Prepaid expenses	31	28	97	81		
5. Total Assets	15,411,879	14,521,784	12,756,828	12,719,039	-12%	0%
6. Total Debts	69,287	42,207	94,483	29,445	-30%	-69%
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	11,192	5,898	-79%	-47%
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	83,291	23,547	61%	-72%
7. Provisions	14,424	14,198	14,807	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	12,647,539	12,674,787	-12%	0%
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	470,003	498,003	-85%	6%
9.4. Reserves	-2,146,210	-3,248,602	-2,259,112	-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	575,003	574,252		
9.7. Profit distribution	-23,369	-27,279	0	0		
10. Total Liabilities and Equity	15,411,879	14,521,784	12,756,828	12,719,039	-12%	0%
11. Net Asset Value	15,328,168	14,465,379	12,647,539	12,674,787	-12%	0%
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	0.9429	0.9449	-12%	0%
14. No of companies in the portfolio	83	75	69	69	-8%	0%
14.1. Listed on the regulated market	28	29	25	25	-14%	0%
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

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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