



# Fondul Proprietatea

Catalysts awaiting in the pipeline

15 November 2012

## Investment Case & Valuation

We have fine-tuned our model for Fondul Proprietatea to reflect the latest developments for the main companies in the portfolio. We employ a sum-of-the-parts valuation (with mark-to-market approach for listed stocks and relative valuation for unlisted holdings) and arrive at a fair NAV of RON12.8bn (EUR2.8bn), to which we apply a 25% discount for conglomerates/closed-end funds. We derive a Target MCap of RON9.6bn (EUR2.1bn) and a Target Price per share of RON0.72 (vs. RON0.79 previously), entailing a 33.5% upside potential vs the last trading price. We maintain our Outperform rating for the stock due to (1) the attractive exposure to the energy sector which is on the verge of a significant turnaround with the gas and electricity price liberalization ahead, (2) 8% buy-back program in the pipeline and (3) high discount of the stock vs fair NAV. Main risks to our investment case are: further delays in the IPO/SPO schedule or energy market liberalization, litigations and regulatory risk.

## Albeit currently blocked by litigation, the buy-back program is the most likely medium term catalyst

The litigation is currently pending a new hearing at the Bucharest Court (set for 16-Nov); if a favorable ruling is received, the asset manager estimates that shares acquisition could start in one-month time. According to our calculations, the 2nd buy-back would have an 8.2% positive impact on the NAV per share.

## Dividend income from portfolio companies to remain solid in 2013

The solid performance reported so far this year by oil & gas companies (Petrom and Romgaz were the main contributors to the dividend income line in 2012 – 80% of total), along with the maintenance of the mandatory payout ratio for SoEs at 90% will support FP's dividend income next year. The drop in the NAV below the share capital value casts scrutiny over dividend distribution next year (due to regulatory constraints), but we expect this issue to be solved favorably for shareholders in due time.

## Pre-election noise dims the government's IPO/SPO outlook, but we expect the new cabinet to re-affirm commitment after December elections

The recent comments regarding the postponement of the offerings following a possible renegotiation with the IMF look rather stretched and they are most likely part of the pre-election populist rhetoric. We find little chances for the government to have the upper hand in such negotiations given the rather poor economic outlook for next year, the plunge in capital flows, pre-suspension of the EU funds and the repayment of the first IMF aid package. As such, we expect the ruling coalition to have a reality check after elections and to re-affirm commitment towards the privatization schedule.

Net Asset Value (NAV)	RONm	EURm	% of fair NAV	per share (RON)
Listed companies (25)	5,641	1,243	44.0%	0.421
Unlisted companies (44)	6,435	1,418	50.2%	0.480
Other assets (net)	743	164	5.8%	0.055
Fair NAV	12,819	2,824	100.0%	0.956
Target Mcap	9,614	2,118		0.72
NSC NAV*	12,877	2,837		0.960
Last price vs. fair NAV per share				-43.8%
Last price vs NSC NAV per share				-44.1%

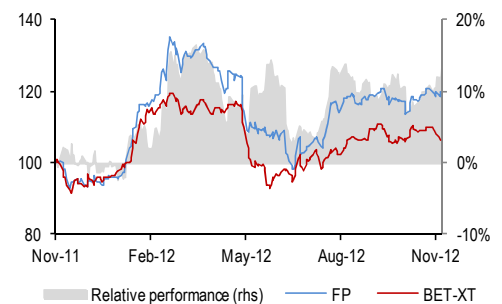
Source: Company reports, NBG Securities estimates  
\* at Oct-2012, in line with NSC regulations; Hidroelectrica valued at zero

Irina Cretu  
+4021 305 17 08  
[icretu@nbgsecurities.ro](mailto:icretu@nbgsecurities.ro)

## Stock Data & Performance

Stock Rating	Outperform
	[Unchanged]
12M target price (new)	RON0.72
12M target price (previous)	RON0.79
Last Price	RON0.537(14/11/12)
Upside to Target Price	33.5%
52 week range	RON 0.41/0.60
Market Cap	RON7,203m
Reuters/Bloomberg	FP.BX/FP RO
3m avg trading vol	29.5m
Free Float	98.2%
Absolute 3m	1.7%
Absolute 12m	19.9%
Relative to BET-XT 3m	0.9%
Relative to BET-XT 3m	13.6%

## Price performance



Source: BVB, NBG Securities

## Key investment themes

**Albeit currently blocked by litigations, the buy-back program is the most likely medium term catalyst...**

**...with an expected 8.2% positive impact on the NAV per share**

Given the large trading discount of the stock (44% based on the last official NAV), a buy-back program would successfully help the manager to return value to its shareholders. A first program has unfolded between May-Sept 2011, when the Fund acquired 240.3m shares, or 1.7% of outstanding capital, for RON120.3m (avg price RON 0.4994). At the time, some legal restrictions capped the repurchases at the value of the available reserves plus net profit for distribution (according to last annual audited results), i.e. RON120.3m.

A second buy-back program meant to acquire 1.1bn shares, or 8.0% of the Fund's outstanding capital, was approved by shareholders in the 25-Apr EGSM (price range of RON0.2–1.5 in the next 18 months after the shareholders resolution is published in the Official Gazette). An approval of the buy-back program with a specific purpose this time (i.e. the cancellation of the shares followed by a share capital decrease) has allowed the Fund to by-pass the legal provisions which previously limited buy-backs. The execution will be subject only to (1) available cash (RON763m at end-Oct) and (2) a limit of 25% of the average daily trading volume in the last 20 trading days preceding the day of the purchase.

According to our calculations, the 2<sup>nd</sup> buy-back would have an 8.2% positive impact on the NAV per share. Still, the cancellation of the 1.7% repurchased shares and the implementation of the 2<sup>nd</sup> buy-back program are currently being delayed by litigations initiated by Ioana Sfiraiala, a shareholder of the Fund. According to the asset manager, own shares bought back in 2011 are expected to be cancelled in 1Q13. **The litigation related to the 2<sup>nd</sup> buy-back is currently pending a new hearing at the Bucharest Court (set for 16-Nov); if a favorable ruling is received, the asset manager estimates that shares acquisition could start in one-month's time.**

### Buy-back program highlights

	1st buy-back	2nd buy-back	Comment
Period	May-Sept 2011	18M after the EGSM decision is published in the Official Gazette	the registration of the EGSM decision with the Trade Registry is currently blocked by litigations
No of shares (m)	240.3	1,101.0	
% of share capital	1.7%	8.0%	
Value (RONm)	120.3	591.2	
Value (EURm)	26.5	130.3	
Avg price (RON)	0.4994	0.537	last trading price was used for 2nd buy-back program calculations
FP's ADTV for the period (m)	52.7	25.4	ADTV between Jan-Oct 2012
Daily repurchased volumes (m)	4.4	6.4	assuming the asset manager will buy at the max allowed limit (25%)
% of ADTV	8.3%	25%	
No of months needed for the repurchase	5.0	7.9	
Available cash at end-Oct 2012 (RONm)		763.4	
Impact on:			
Net profit (RONm)	(19.2)	(90.4)	includes 16% profit tax on the gain on cancellation of buybacks and FTIML fees of 1.5%
Total NAV (RONm)	(19.2)	(90.4)	
Number of shares (m)	(240.3)	(1,101.0)	
NAV/share	0.016 or 1.7% of NAV	0.079 or 8.2% of NAV	impact computed relative to 30-Oct-2012 NAV (NAV/share impact will be influenced by the NAV as at the date of the cancellation)

Source: Company reports, NBG Securities estimates

**In the meantime, dividend income from portfolio companies remains the main source of cash distributions to shareholders**

According to the documentation for the 23-Nov GSM, the Fund has budgeted a net profit of RON570.5m for 2013.

As with the previous budgets for 2011/2012, the asset manager offers little guidance on the future course of action and its investment strategy. Main assumptions of the budget are based on the year-to-date historic data (for dividend & interest income) while no new information or targets are assumed as regards next year's asset disposals. On the costs side, the Jan-Aug 2012 average Mcap and NAV are used to estimate the main expenses, related to the investment management, administration and CNVM fees, while RON10.8m were added to reflect future expected costs with the secondary listing at WSE.

**2013 P&L Budget proposal and NBG estimates**

RAS; RONm	2013 Budget	Main assumptions	2011	9M12	2012e (NBG)	2013e (NBG)	y/y	vs 2013e budget
<b>Income from current activity</b>	<b>660.3</b>		<b>617.9</b>	<b>861.2</b>	<b>872.7</b>	<b>676.9</b>	<b>-22.4%</b>	<b>2.5%</b>
Dividend income	618.2 => based on the actual dividend income received during Jan-Aug 2012		519.1	619.0	619.0	634.8	2.6%	2.7%
Interest income	42.1 => based on an avg 5.5% interest rate on available cash (Jan-Aug 2012 weighted avg interest rate was used)		41.1	24.4	34.8	42.1	20.9%	0.0%
Asset disposal	0.0 => for simplicity purposes, no asset disposals were estimated		13.4	208.1	208.1	0.0	-100.0%	n.m.
Other income	0.0		42.7	9.6	10.6	0.0	-100.0%	n.m.
FX gains (net)	0.0		1.6	0.1	0.1	0.0	-100.0%	n.m.
<b>Expenses from current activity</b>	<b>76.0</b>		<b>72.3</b>	<b>286.3</b>	<b>299.6</b>	<b>76.0</b>	<b>-74.6%</b>	<b>0.0%</b>
Commissions and fees	14.7 => Jan-Aug 2012 avg NAV was used to estimate CNVM fees		17.2	12.4	15.7	14.7	-6.4%	0.0%
Third party expenses	44.8 => Jan-Aug 2012 avg MCap was used as proxy for 2013e FT's investment mgt & administration fees		36.8	30.2	40.2	44.8	11.7%	0.0%
Secondary listing expenses	10.8 => as approved by the 27-Jun GSM		0.0	0.0	0.0	10.8	n.m.	0.0%
Asset disposal	0.0		4.6	195.1	195.1	0.0	-100.0%	n.m.
Other expenses	5.8		13.7	48.7	48.7	5.8	-88.2%	0.0%
<b>Profit before tax</b>	<b>584.3</b>		<b>545.6</b>	<b>574.9</b>	<b>573.1</b>	<b>600.9</b>	<b>4.8%</b>	<b>2.8%</b>
Tax expenses	13.8		1.8	0.4	0.4	13.8	3614.5%	0.0%
<b>Net profit</b>	<b>570.5</b>		<b>543.8</b>	<b>574.6</b>	<b>572.8</b>	<b>587.1</b>	<b>2.5%</b>	<b>2.9%</b>

Source: Company reports, NBG Securities estimates

**Solid performance of oil & gas producers this year to support FP's 2013 dividend income**

Overall, we believe that **the solid performance reported so far this year by oil & gas companies (Petrom and Romgaz were the main contributors to the dividend income line in 2012 – 80% of total), along with the maintenance of the mandatory payout ratio for SoEs at 90%, are likely to help the Fund offset any potential drop in dividends from other companies in the portfolio and meet the 2013 budgeted revenues.** However, the interest income line is subject to downside risks if the asset manager starts the buy-back program, which could decrease the cash & equiv. position and incur costs related to FTIML & depository fees and 16% profit tax on the gain on repurchased shares cancellation (for simplicity purposes, the 2013 budget has been prepared without taking into consideration the financial impact of potential execution of the buy-back program).

**Contributors to FP's dividend income (RONm)**

Company	2007	2008	2009	2010	2011	2012e	2013e	% in total (2012)
Petrom	90.2	195.8	0.0	0.0	201.6	353.1	401.0	57%
Romgaz	31.6	34.8	40.9	87.8	106.0	140.6	152.6	23%
Transgaz	16.4	15.3	18.5	23.0	50.8	52.5	42.0	8%
Alro	24.8	38.7	17.0	11.2	16.0	19.4	0.0	3%
Transelectrica	13.1	3.2	3.0	0.5	1.1	10.9	3.8	2%
CN Aeroporturi Bucuresti	5.8	8.4	10.1	6.6	9.9	9.4	7.8	2%
Conpet	1.2	1.5	7.1	3.8	7.0	6.6	6.6	1%
CN Admin. Porturilor Maritime	0.0	1.3	0.0	0.0	0.0	6.6	8.4	1%
CE Oltenia	3.5	17.3	2.8	0.8	0.0	6.5	2.1	1%
BRD - GSG	0.0	0.0	0.0	0.0	2.4	3.6	2.4	1%
Hidroelectrica	0.0	0.0	0.0	6.5	52.5	0.0	0.0	0%
Others	16.5	65.2	18.7	38.9	71.7	9.0	8.1	1%
<b>Total</b>	<b>203.2</b>	<b>381.6</b>	<b>118.1</b>	<b>179.0</b>	<b>519.1</b>	<b>618.2</b>	<b>634.8</b>	<b>100%</b>

Source: Company reports, NBG Securities estimates

2012e DPS of RON0.041 (divyld 7.6%)

**Fondul Proprietatea: DPS estimates**

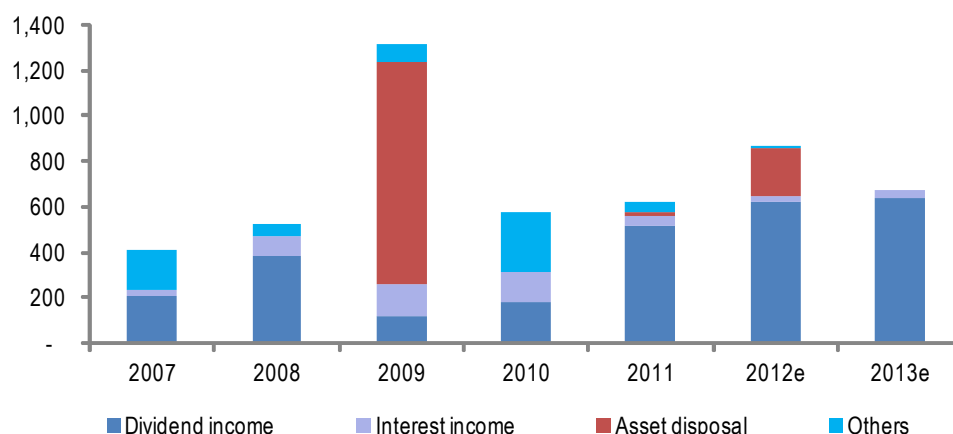
	2010	2011	2012e	2013e
EPS (RON)	0.033	0.039	0.042	0.043
Payout ratio	95%	95%	95%	95%
DPS (RON)*	0.031	0.039	0.041	0.042
Divyld	7.0%	7.5%	7.6%	7.7%

Source: Company reports, NBG Securities estimates

\* for the respective fiscal year

**Asset disposal proves cumbersome due to unfavourable market conditions**

Except for some portfolio clean-up, which involved sales of small companies and some mergers, portfolio restructuring has still a long way to go. Assets sale progressed slowly and in 2012 the Fund divested only its stake in Azomures <AZO> (in a mandatory takeover bid) and Comcereal Fundulea (on open market). The list of 13 companies (unlisted electricity and gas distribution COs, c 22% of official NAV) for which Citigroup received a mandate (in March 2012) to advise their sale has remained intact so far as local M&A market conditions continue to be unfavorable. **The asset manager stated that it has started discussions with potential bidders and that they hope to have some transactions by the end of the year.** The difficult market conditions along with the asset manager's target to sell the stakes above their book value are currently the main factors which we expect to hinder the potential divestiture of the respective holdings.

**Operating revenues (RONm)**


Source: Company reports, NBG Securities estimates

**NAV below share capital value casts scrutiny over dividend distribution...**

Following Hidroelectrica's insolvency, the Fund's holdings in the hydropower producer were re-valued at zero in the NAV (from RON3.3bn previously), pushing the NAV below the value of the outstanding share capital. According to the current legislation, the Fund's NAV should be above the outstanding share capital in order for the Fund to be able to distribute dividends (the shortfall stood at RON0.9bn, or c 7.0% of NAV, at end-Oct data). Given these limitations, the Fund manager is exploring several options:

- (1) gain flexibility on the cut-off date for the NAV to be higher than the share capital (a detail not specified in the current regulations - allegedly, could be end-December data or the GSM reference date);
- (2) get a waiver or a change in legislation from CNVM to exempt regulated investment funds from this rule;
- (3) request to change CNVM regulations regarding the valuation methodology for companies undergoing insolvency proceedings (and restore some of Hidroelectrica's value, currently at zero in FP's books);
- (4) decrease the face value of the Fund's shares and return money to shareholders, as an alternative to dividend distribution (ongoing analysis; the share capital decrease however could take up to nine months and delay the dividend payment next year).

A core increase in the portfolio value could also contribute to the return of the NAV above the share capital value. Since Petrom <SNP> has the largest impact on the NAV (35% weight in

**... but we expect this to be solved in due time**

NAV, c 80% of the listed portfolio), we have computed that, all else equal, an increase in the SNP trading price to RON0.488 (+19% vs RON0.409 at end-Oct, +24% vs RON0.395 last SNP close) could boost FP's NAV above the necessary threshold of RON13.8bn. Also, the sale of assets at prices above the book value would be supportive. Obviously, Hidroelectrica's exit from insolvency would be enough to solve the shortfall. Net-net, we believe that the dividend distribution is only a time-related issue, and that it will be solved favorably for shareholders in the offing.

**Other excess distributions not in sight**

At shareholders' request, the GSM approved on 4-Apr a change to the IMA (Investment Management Agreement) to include some special management fees in order to motivate the asset manager to grant excess distributions to shareholders. The fees were set at 1.5-1% of the value of the excess distributions, which are to be done via purchases of own shares for the purpose of cancellation, special dividends or other distributions of assets.

So far, it seems that the **Securities Commission (CNVM) has not approved the addendum to the IMA to reflect the new fee structure**. Therefore, until the Securities Commission approves the change, we see little incentive for the asset manager to pursue an excess distribution strategy, as its current structure of the management fee (based on mkt cap) does not encourage them to sell assets and return cash to shareholders but rather to reinvest any disposal proceeds in order to maximize the continuing pool of assets under management.

**Secondary listing might take a while due to the lack of a link between the Polish and Romanian depositories**

The 27-Jun GSM approved the secondary listing plan of the Fund on the Warsaw Stock Exchange, with the main goals being to make the Fund visible and easily accessible for target investors that include Polish pension and mutual funds, as well as regional dedicated international investors and benchmark investors that are not active in Romania. Additional demand and higher visibility are expected to finally lead to a narrowing of the trading discount.

Briefly, the Consortium that will advise the Fund in the secondary listing process on the WSE includes J.P. Morgan and UniCredit Group as joint global coordinators, and KBC Securities as co-manager. At the recommendation of the consortium, the listing on the WSE will be achieved through a technical listing first (i.e. a listing without simultaneous offering of shares), while new investors are to be attracted subsequently via accelerated placements and/or individual trades on the regular (open) market and facilitated by the Consortium.

The main culprit behind the delay of the implementation of the secondary listing is the lack of a link between the two depositories in Bucharest and Warsaw which, in its turn, is pending certain amendments being approved by the Romanian Securities Commission (CNVM) to the existing regulations (No. 13/2005 and No. 5/2010). The link is a prerequisite to ensure full fungibility of the shares across the two markets. In addition, changes to the Code of the local Central Depository are also required, after getting the approval of the CNVM and the C-Bank. Informal discussions between the asset manager and CNVM have started in the summer of 2011, but with little progress to date as CNVM argues the lack of a harmonised legislation at European level on the matter and that the EGSM decision which approved the secondary listing is still not registered with the Trade Registry (blocked by litigation).

As we anticipated, the secondary listing proves a difficult task due to the size and importance of the Fund for the local market. Currently, **FP holds c. 35% of the BSE's free-float MCap and c. 40% of the YTD average daily volumes, and the concerns for the local market authorities regarding the drop in liquidity** (which feeds the revenues of both the Securities Commission and the Stock Market Operator) **make-up for a strong reason for the delay of the process by the local bodies involved.**

The asset manager will ask shareholders for an extension of the mandate for the secondary listing until June 2013. Unless some part of the IPO pipeline is executed next year, thus boosting BSE volumes and mitigating a possible loss of liquidity on the market from FP's dual listing, we see little chances for the asset manager to execute the secondary listing by June next year.

**Expectedly, a poor execution of the gov't IPO/SPOs plans in an election year**

Out of the government's busy IPO/SPO pipeline presented at the beginning of the year, only one offering has materialized, namely the sale of a 15% stake in Transelectrica <TEL> in March 2012. Two more privatization attempts, Cuprumin <Not listed> and Olchim <OLT> failed due to a poor financial standing of the companies and improper approach of the sale within difficult market conditions.

**Recent gov't statements hint for longer delays ...**

The poor execution of the privatization schedule this year is relatively in line with our expectations. With two gov't changes in 1H12 and a temporary cabinet until Dec 2012 elections,



it was highly unlikely that the authorities would concentrate on the sale of state assets. Still, **the recent comments regarding the postponement of the offerings following a possible renegotiation with the IMF look rather stretched, and they are most likely part of the pre-election populist rhetoric.** We argue that another failed SPO or a sale at a low pricing could not have been afforded by the current USL coalition, thus the statements on the postponement.

**... but we believe that the fiscal strain and low capital flows will force the gov't to re-affirm commitment to state asset sales after December elections**

We find little chances for the government to have the upper hand in such negotiations given the rather poor economic outlook for next year, the plunge in capital flows, pre-suspension of the EU funds and the repayment of the first IMF aid package. As such, **we expect the ruling coalition to have a reality check after elections and to re-affirm commitment towards the privatization schedule.**

#### IPO/SPO pipeline

Company name	Ticker	Stake to be offered	Method	Company value (EURm)*	Stake value (EURm)	Current status	Comments
Transelectrica	TEL	15.0%	SPO	182	27	completed successfully in March 2012	-
Transgaz	TGN	15.0%	SPO	526	79	final prospectus submitted for approval to CNVM	Expected in 2013
Romgaz	Not listed	15.0%	Initial Secondary PO	2,246	337	underwriter agreement signed	1H 2013
Hidroelectrica	Not listed	10.0%	IPO	735	73	underwriter selected	Delayed by insolvency proceedings
Nuclearelectrica	Not listed	10.0%	IPO	908	91	underwriter selected	Expected in 2013
OMV Petrom	SNP	9.8%	SPO	4,930	483	failed SPO in June 2011	Delayed indefinitely
Electrica Furnizare	Not listed	Not listed	Privatization (Trade Sale/ IPO)	7	n.a.	pending selection process for the intermediary	Expected in 2013
Electrica Distribution COs (3)	Not listed	Not listed	Privatization / IPO	550	n.a.	pending selection process for the intermediary	Expected in 2013

Source: NBG Securities, press

\* NBG estimates

**Hidroelectrica likely to exit insolvency in 1H13, but IPO resuming may take some time**

Hidroelectrica's insolvency reflects the materialisation of one of the main risks related to FP, namely the little control of the Fund over the state-owned companies in its portfolio. Although the picture might look rather gloomy, it is worth noting that the restructuring of the company is on the right track, with long term benefits for the hydro-power producer as regards its operating profitability. According to the latest report published by the judicial administrator, encouraging progress is noted on several fronts: (1) following the termination of bilateral contracts with 6 clients, c 6.3m MWh per year (avg between 2013-2018) have been unlocked (37% total); (2) negotiations with ANRE are on-going and prospects are promising for Hidroelectrica to sell a lower quantity in the regulated market as of next year, and also for the energy watchdog to recognize the company's costs of production when setting the regulated selling price; (3) 400 contracts with suppliers have been renegotiated, leading to cost cuts worth RON202m/year.

The gov't expects the company to exit insolvency by year-end while the judicial administrator stated that they are working on wrapping-up the restructuring plan by the end of the year, but a more realistic estimate for the finalisation of the process would be 1Q13. **In its latest letter of intent to the IMF, the government plans to launch the 10% IPO within four months after the company exits insolvency.**

Although a finalisation of the insolvency process is likely to be realised in 1H13, an IPO within such a short time-frame (4-months later) looks rather unlikely and we don't expect an offering by end-2013. Nevertheless, the exit from insolvency will be positive for FP shares, as it will prompt an increase in the Fund's official reported NAV (the holdings are currently booked at zero).

**Litigations – to affect investors sentiment, but bear little impact on the fundamentals of the Fund**

Currently, the Fund has more than 100 cases on-going, with portfolio companies, shareholders and other individuals. Out of these, one of most recent attention is the legal case against Mrs. Sfiraiala, a shareholder of the Fund, where the Bucharest Court of Appeal has ruled unfavourably (& irrevocably) for the Fund and cancelled the Sept-2010 GSM resolutions through which the Constitutive Act of FP and the appointment of Franklin Templeton were approved. Apparently, all the other cases initiated by this shareholder (c. 22 in total, mainly against other GSM resolutions and numerous interventions to block the registration of the latest two GSM resolutions with the Trade Registry) are based on an argument assuming a very wide interpretation of the effects of nullity she claims in this case.

However, according to the asset manager, the things that argue in favor of maintaining the current status though are: (1) The version of the Constitutive Act to which the Court decision relates is not the one currently in force; new versions were approved by resolutions with vast majority on the 29-Nov-2010 GSM, the 23-Nov-2011 GSM and the 4-Apr-2012 GSM; (2) New resolutions at the 25-Apr-2012 GSM specifically reiterated the shareholders' approval of the

objects of all the resolutions to which this Court decision relates (these were proposed by a shareholder and approved with over 96% majority); (3) The shareholders' confirmation of FTIML's selection (7-Sept-2009) and their approval of the terms and execution of the management agreement (Feb 2010) long predate the issue in the Court decision.

So far, the Fund manager gave no details regarding further course of action in this case, but stated that it will observe the current Constitutive Act and the shareholders' resolutions, and will continue to manage the Fund in accordance with its IMA, in collaboration with the Board of Nominees. **It is our understanding that a return to the old management system and Constitutive Act before Sept-2010 is highly unlikely (the Trade Registry confirmed the Fund manager's continued appointment as Sole Director of Fondul Proprietatea) and that, in a worst case scenario which would suspend Franklin Templeton as asset manager, the solution is for a shareholder to ask the Court to convene the GSM and re-appoint them.** Therefore, we believe that despite the noise and the delays created by these litigations, they should bear no negative impact on the Fund's NAV fundamental value.

## Valuation

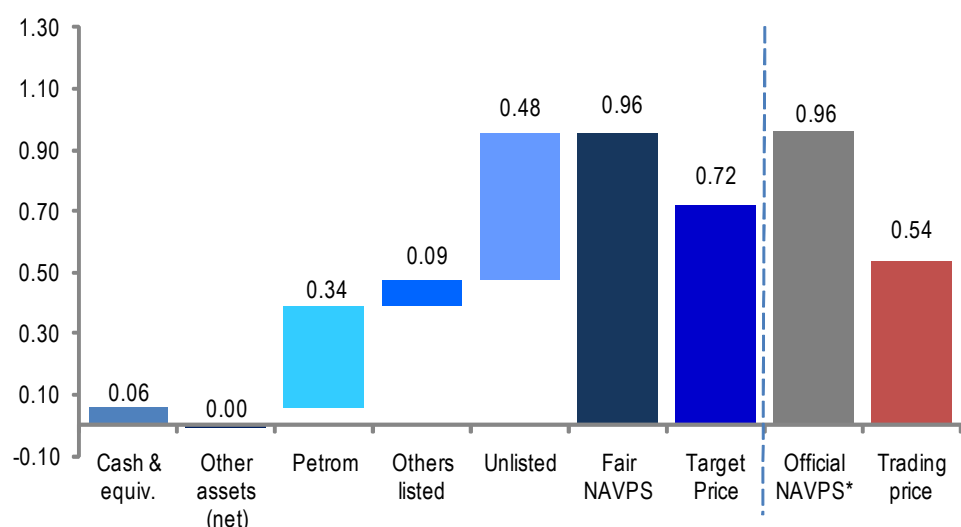
**We derive a fair NAV of RON12.8bn (EUR2.8bn) and Target MCap of RON9.6bn (TP of RON 0.72)**

We value Fondul Proprietatea using a sum-of-the-parts methodology. For the holdings in its investment portfolio we have employed different valuation methods based on a series of factors: liquidity (listed/ unlisted companies), size, industry. Our valuation yields a total fair NAV of RON12.8bn (EUR2.8bn), translating into a fair NAV per share of RON0.96. To this, we apply a 25% discount for conglomerates/ closed-end funds and arrive at a Target MCap of RON9.6bn (EUR2.1bn) and a Target Price per share of RON 0.72.

### Summary valuation table

Holdings	RONm	EURm	% of fair NAV	per share
<b>Listed (25)</b>	<b>5,641</b>	<b>1,243</b>	<b>44.0%</b>	<b>0.42</b>
o/w Petrom	4,499	991	35.1%	0.34
o/w top 5 stakes	5,287	1,165	41.2%	0.39
<b>Unlisted (44)</b>	<b>6,435</b>	<b>1,418</b>	<b>50.2%</b>	<b>0.48</b>
Power generators	2,447	539	19.1%	0.18
Gas upstream	1,528	337	11.9%	0.11
Utilities	1,791	395	14.0%	0.13
Aiports	456	101	3.6%	0.03
Ports	77	17	0.6%	0.01
Others	134	30	1.0%	0.01
<b>Total investment portfolio</b>	<b>12,075</b>	<b>2,660</b>	<b>94.2%</b>	<b>0.90</b>
Cash & equivalents	763	168	6.0%	0.06
Other assets	13	3	0.1%	0.00
Liabilities	34	7	0.3%	0.00
<b>Fair Net Asset Value (NAV)</b>	<b>12,819</b>	<b>2,824</b>	<b>100.0%</b>	<b>0.96</b>
No of shares (m)	13,413			
Fair NAV/ share (RON/ EUR)	0.96	0.21		
Discount for closed-end funds	25%			
<b>Target Mcap</b>	<b>9,614</b>	<b>2,118</b>		
<b>Target Price (RON/ EUR)</b>	<b>0.72</b>	<b>0.16</b>		

Source: NBG Securities estimates

**Target Price breakdown (RON)**


Source: NBG Securities estimates

\* at Oct-2012; Hidroelectrica valued at zero in official reported NAVPS

Our valuation is sensitive to the two discounts we employ, namely a) a 25% discount in valuing the largest companies in the portfolio (for transparency, liquidity, state ownership) and b) a 25% conglomerate/closed-end funds discount. Sensitivity outcomes are displayed below.

**Target Price sensitivity (RON)**

	Unlisted company discount					
	15%	20%	25%	30%	35%	
Discount for conglomerates/closed-end funds	15%	0.87	0.84	0.81	0.79	0.76
	20%	0.81	0.79	0.76	0.74	0.71
	25%	0.76	0.74	0.72	0.69	0.67
	30%	0.71	0.69	0.67	0.65	0.63
	35%	0.66	0.64	0.62	0.60	0.58

Source: NBG Securities estimates

**Listed companies make up for 44% of fair NAV; Petrom – largest holding with 35% weight in fair NAV**

Fondul Proprietatea held stakes in 25 listed companies from various industries (according to end-Sept data, last detailed NAV). The most important is the equity interest held in the oil & gas player OMV Petrom which stands at EUR991m and accounts for 80% of the listed portfolio and 35% of the total fair NAV (the largest exposure).

For valuation, we have applied the following methodology: (1) Mark-to-market for the companies which were traded in the last 30 days; (2) 50% discount to book value for the companies which were not traded in the last 30 days or fair value (last close); (3) zero value for the companies which have negative book value or are facing insolvency procedures.

Our valuation leads to a total value of RON5.6bn (EUR1.2bn) for the Fund's stakes in listed companies, representing 44% of the fair NAV.

**Listed portfolio structure**

	EURm	% in total Listed	% in fair NAV
<b>Petrom</b>	991	79.8%	35.1%
<b>Top 5</b>	1,165	93.7%	41.2%
<b>Top 10</b>	1,230	99.0%	43.6%

Source: BVB, Fondul Proprietatea, NBG Securities



**Summary valuation for listed holdings**

Company (Figures in RONm, unless otherwise stated)	Ticker	Sector	Last Price (RON)*	Valuation method	FP's stake	FP's stake value	FP's stake value (EURm)	Weight in fair NAV
Petrom	SNP	Oil & gas	0.3950	mark-to-market	20.10%	4,499.5	991.3	35.1%
Transgaz	TGN	Gas transport	202.90	mark-to-market	14.98%	358.0	78.9	2.8%
BRD - GSG	BRD	Banking	7.36	mark-to-market	3.64%	186.7	41.1	1.5%
Alro	ALR	Aluminium processing	1.71	mark-to-market	10.21%	124.6	27.4	1.0%
Raiffeisen Bank	RBI	Banking	138.52	mark-to-market	0.43%	118.2	26.1	0.9%
Transelectrica	TEL	Electricity transport	11.29	mark-to-market	13.49%	111.7	24.6	0.9%
Conpet	COTE	Crude oil transport	36.20	mark-to-market	29.70%	93.1	20.5	0.7%
Banca Transilvania	TLV	Banking	1.00	mark-to-market	2.93%	55.8	12.3	0.4%
Erste Group Bank	EBS	Banking	91.68	mark-to-market	0.10%	36.4	8.0	0.3%
Primcom	PRIB	Food & beverages	14.99	mark-to-market	75.48%	23.4	5.2	0.2%
Romaero	RORX	Aircraft spare parts	11.00	mark-to-market	20.99%	14.4	3.2	0.1%
Oil Terminal	OIL	Oil services	0.15	mark-to-market	8.45%	7.6	1.7	0.1%
Palace	PACY	Hotels	0.25	mark-to-market	15.42%	1.5	0.3	0.0%
IOR	IORB	Electronic equipments	0.52	mark-to-market	2.81%	1.4	0.3	0.0%
Sevemav	SEVE	Shipbuilding	0.18	mark-to-market	39.10%	0.4	0.1	0.0%
Mecon	MECP	Industrials	1.30	mark-to-market	12.51%	0.1	0.0	0.0%
Mecanoenergetica	MEGU	Industrials	0.07	0.5x P/B	10.07%	0.0	0.0	0.0%
Forsev	FORS	Industrials	n/a	0.5x P/B	28.14%	3.2	0.7	0.0%
Telerom Proiect	TEBV	IT&C design	2.50	0.5x P/B	68.63%	0.0	0.0	0.0%
Alcom	ALCQ	Food & beverages	21.00	0.5x P/B	71.89%	3.4	0.8	0.0%
Transilvania Com	TRVC	Real estate rental	5.15	0.5x P/B	39.99%	0.8	0.2	0.0%
Comcereal Cluj	COCL	Agriculture	3.00	0.5x P/B	11.36%	0.5	0.1	0.0%
Turdapan	TUSB	Food & beverages	2.50	0.5x P/B	44.06%	0.1	0.0	0.0%
Romplumb	ROMR	Lead production	n/a	Zero (in insolvency)	33.26%	-	0.0	0.0%
Resib	RESI	Real estate rental	n/a	Zero (negative equity)	2.87%	-	0.0	0.0%
<b>Total Listed</b>						<b>5,640.8</b>	<b>1,242.8</b>	<b>44.0%</b>

Source: BVB, Fondul Proprietatea, NBG Securities estimates

\* Last close as of 14-Nov-2012

Given the rather high sensitivity to the top 5 exposures, we have calculated the impact on valuation of using our Target Prices for companies under our coverage (namely Petrom, Transelectrica, Transgaz, BRD and Banca Transilvania). The scenario results in a 19.3% increase in the overall value of the listed holdings (and 8.5% increase in our Target Price), mostly due to a higher fair value estimated for Petrom. However, the calculations are only for informative purposes. In our final fair NAV valuation, we employ the mark-to-market approach (not the fair value approach) for the companies that we cover.

**Scenario using Target Prices for NBG covered stocks**

Company (Figures in RON m, unless otherwise stated)	Ticker	Last price (RON)	Target price (RON)	Upside/ Downside	Target Mcap	FP's stake	FP's stake value	FP's stake value (EURm)
Petrom	SNP	0.395	0.478	21.0%	27,076	20.1%	5,442	1,199.1
Transgaz	TGN	202.90	241.40	19.0%	2,842	15.0%	426	93.8
Transelectrica	TEL	11.29	16.90	49.7%	1,239	13.5%	167	36.8
BRD - GSG	TEL	7.36	8.12	10.4%	5,659	3.6%	206	45.4
Banca Transilvania	TLV	1.00	1.04	4.0%	1,845	2.9%	54	11.9
Others							436	96.1
<b>Total Listed - based on NBG Securities fair values</b>							<b>6,731.4</b>	<b>1,483.1</b>
<i>Total Listed based on mark-to-market</i>							5,640.8	1,242.8
<b>% chng vs. mark-to-market approach</b>								<b>19.3%</b>
<b>Impact on Target Price (RON)</b>								<b>0.06</b>
<b>Impact on Target Price (%)</b>								<b>8.5%</b>

Source: NBG Securities estimates

**Unlisted companies make up for 50% of fair NAV**

Fondul Proprietatea has 44 stakes in unlisted companies. Based on their size, market positioning and sector, we have selected 24 companies which we aggregated industry-wise into five groups and to which we further applied different valuation methods based on the amount of information available.

Main assumptions in our valuation of the 24 unlisted holdings are as follows:

(1) we employ a relative valuation approach based on a series of multiples relevant for each industry and a normalized 2007-2012e average for income statement items like sales and EBITDA, 2012e book values and latest available net-debt figure (for EV); for Hidroelectrica, we employ the accepted table of claims (includes the claims accepted in the table of creditors - banks and non-banks) in calculating the net debt of the company, in order to reflect the company's current insolvency procedure and remain on the conservative side;

(2) for peers, we use global companies which activate in the respective industries, in both developed and emerging countries;

(3) our 2012 estimates for the companies' financials were built based on the last quarterly earnings and management guidance cited in the press, as well as our forecasts for local industry average growth rates/ margins;

(4) we apply a 25% discount to the derived equity values in order to account for illiquidity, low transparency and state ownership.

For the remaining 20 unlisted companies (2% weight in official NAV) where Fondul Proprietatea holds equity interests, we have based our valuation on their equity book value reported in FP's end-Sept NAV, to which we have applied a 50% discount.

All in all, our valuation leads to a total value of RON6.4bn (EUR1.4bn) for the Fund's stakes in unlisted companies, representing 50% of the fair NAV.

**Financial estimates for main unlisted holdings**

Company (Figures in RONm, unless otherwise stated)	Sales				EBITDA				Net profit				Net debt	EBITDA margin			Net margin		
	2011	2012e	y/y	2007-12e avg	2011	2012e	y/y	2007-12e avg	2011	2012e	y/y	2007-12e avg	2011	2011	2012e	2007-12e avg	2011	2012e	2007-12e avg
Hidroelectrica	3,020.6	2,265.4	-25%	2,580.8	894.5	657.9	-26%	895.9	6.4	-451.6	n.m	2.2	2,440.8	30%	29%	35%	0%	n.m	0%
Nuclearelectrica	1,588.4	1,628.1	2%	1,436.6	549.1	537.3	-2%	587.2	95.0	58.0	-39%	68.4	2,222.8	35%	33%	41%	6%	4%	5%
CE Oltenia	4,026.5	4,227.8	5%	3,422.2	857.8	972.4	13%	489.7	179.9	199.5	11%	78.4	1,439.4	21%	23%	14%	4%	5%	2%
Romgaz	4,211.1	4,632.3	10%	3,693.8	2,060.1	2,362.5	15%	1,827.2	1,031.7	1,130.9	10%	738.9	-2,511.3	49%	51%	49%	25%	24%	20%
E.ON Gaz Distribuție	800.5	840.5	5%	896.0	354.3	378.2	7%	239.8	230.5	241.6	5%	123.6	21.4	44%	45%	27%	29%	29%	14%
GDF Suez Energy	4,090.9	4,909.0	20%	3,890.9	270.1	441.8	64%	382.3	209.6	293.9	40%	232.4	75.2	7%	9%	10%	5%	6%	6%
E.ON Energie Romania	4,261.1	4,474.1	5%	3,440.2	-196.1	-134.2	-32%	-78.9	-191.8	-136.4	-29%	-70.4	376.3	n.m	n.m	n.m	n.m	n.m	n.m
E.ON Moldova Distribuție	636.1	652.0	2%	627.0	189.2	260.8	38%	192.9	7.2	75.2	943%	63.8	-2.8	30%	40%	31%	1%	12%	10%
<b>Electrica Distribuție Muntenia Nord</b>	<b>685.7</b>	<b>720.0</b>	<b>5%</b>	<b>700.0</b>	<b>137.1</b>	<b>180.0</b>	<b>31%</b>	<b>133.0</b>	<b>67.4</b>	<b>87.3</b>	<b>29%</b>	<b>51.8</b>	<b>-178.1</b>	<b>20%</b>	<b>25%</b>	<b>19%</b>	<b>10%</b>	<b>12%</b>	<b>7%</b>
<b>Electrica Distribuție Transilvania Nord</b>	<b>535.4</b>	<b>562.2</b>	<b>5%</b>	<b>575.0</b>	<b>141.5</b>	<b>151.8</b>	<b>7%</b>	<b>114.6</b>	<b>29.1</b>	<b>33.8</b>	<b>16%</b>	<b>20.1</b>	<b>47.8</b>	<b>26%</b>	<b>27%</b>	<b>20%</b>	<b>5%</b>	<b>6%</b>	<b>3%</b>
<b>Electrica Distribuție Transilvania Sud</b>	<b>593.5</b>	<b>623.2</b>	<b>5%</b>	<b>639.8</b>	<b>139.6</b>	<b>155.8</b>	<b>12%</b>	<b>114.6</b>	<b>19.6</b>	<b>26.4</b>	<b>35%</b>	<b>22.1</b>	<b>62.0</b>	<b>24%</b>	<b>25%</b>	<b>18%</b>	<b>3%</b>	<b>4%</b>	<b>3%</b>
ENEL Distribuție Banat	585.8	626.8	7%	595.3	313.7	344.7	10%	249.9	220.5	236.4	7%	171.5	-429.8	54%	55%	42%	38%	38%	29%
ENEL Distribuție Dobrogea	459.0	491.1	7%	451.5	185.6	206.3	11%	154.4	108.9	121.0	11%	94.7	-147.7	40%	42%	34%	24%	25%	21%
ENEL Distribuție Muntenia	705.9	758.8	8%	1,015.3	211.3	265.6	26%	185.2	50.5	123.8	145%	137.3	-1,314.3	30%	35%	18%	7%	16%	14%
Enel Energie Muntenia	1,842.3	1,851.5	0%	1,625.5	-23.4	18.5	n.m	4.1	-1.3	14.9	n.m	23.4	-436.9	n.m	1%	0%	n.m	1%	1%
<b>Electrica Furnizare</b>	<b>3,990.4</b>	<b>4,150.0</b>	<b>4%</b>	<b>3,920.2</b>	<b>52.6</b>	<b>62.3</b>	<b>18%</b>	<b>22.5</b>	<b>19.4</b>	<b>22.0</b>	<b>13%</b>	<b>10.6</b>	<b>62.7</b>	<b>1%</b>	<b>2%</b>	<b>1%</b>	<b>0%</b>	<b>1%</b>	<b>0%</b>
ENEL Energie	1,897.2	1,906.6	0%	1,878.0	-33.1	-38.1	15%	-32.9	-43.1	-39.2	-9%	-15.7	-164.5	n.m	n.m	n.m	n.m	n.m	n.m
CN Aeroporturi București	474.3	533.6	13%	450.1	212.9	213.5	0%	185.9	52.6	43.4	-17%	53.1	162.1	45%	40%	41%	11%	8%	12%
AI Mihail Kogalniceanu	14.7	15.0	2%	15.2	2.3	2.7	16%	1.9	0.0	0.4	118%	0.2	-0.9	16%	18%	13%	0%	3%	1%
AI Timisoara - Traian Vuia	42.8	45.8	7%	37.7	19.9	22.9	15%	15.5	8.7	10.1	16%	7.0	-0.9	47%	50%	41%	20%	22%	19%
CN Admin. Canalelor Navigabile	36.0	43.2	20%	35.9	8.3	10.8	31%	7.6	2.6	4.2	62%	2.2	-0.9	23%	25%	21%	7%	10%	6%
CN Admin. Porturilor Dunarii Fluviale	18.5	20.3	10%	18.5	7.0	7.7	10%	6.6	4.0	4.5	11%	4.0	-1.5	38%	38%	36%	22%	22%	22%
CN Admin. Porturilor Dunarii Maritime	11.9	12.5	5%	10.6	2.4	2.5	6%	0.8	1.0	1.0	1%	0.5	-2.0	20%	20%	7%	8%	8%	5%
CN Admin. Porturilor Maritime	222.5	249.1	12%	216.2	86.3	99.7	15%	68.3	42.3	46.7	11%	25.3	40.3	39%	40%	32%	19%	19%	12%

Source: Companies reports, NBG Securities estimates

**Summary valuation for unlisted companies**

Company (Figures in RONm, unless otherwise stated)	Sector	Relative valuation based on:	Estimated MCap	FP's stake	FP's stake value	FP's stake value (EURm)	Weight in fair NAV
<b>Power generation</b>			<b>13,571.0</b>		<b>2,446.8</b>	<b>539.1</b>	<b>19.1%</b>
Hydroelectrica	Hydro power generation	EV/ EBITDA, EV/ Sales, P/B, EV/ Capacity	6,670.0	19.9%	1,330.0	293.0	10.4%
Nuclearelectrica	Nuclear power generation	EV/ EBITDA, EV/ Sales, P/B, EV/ Capacity	3,124.1	9.7%	303.7	66.9	2.4%
CE Oltenia	Thermal power generation	EV/ EBITDA, EV/ Sales, P/B, EV/ Capacity	3,776.9	21.5%	813.2	179.2	6.3%
<b>Gas upstream</b>			<b>10,196.3</b>		<b>1,528.4</b>	<b>336.7</b>	<b>11.9%</b>
Romgaz	Gas production	EV/ EBITDA, EV/ Sales, P/B, EV/ 1P reserves	10,196.3	15.0%	1,528.4	336.7	11.9%
<b>Utilities</b>			<b>10,375.7</b>		<b>1,791.4</b>	<b>394.7</b>	<b>14.0%</b>
E.ON Gaz Distributie	Gas distribution	EV/ EBITDA, EV/ Sales, P/B	919.5	12.0%	110.2	24.3	0.9%
GDF Suez Energy	Gas distribution	EV/ EBITDA, EV/ Sales, P/B	1,884.7	12.0%	226.2	49.8	1.8%
E.ON Energie Romania	Gas & power supply	EV/ EBITDA, EV/ Sales, P/B	280.8	13.4%	37.6	8.3	0.3%
E.ON Moldova Distributie	Gas distribution	EV/ EBITDA, EV/ Sales, P/B	934.8	22.0%	205.7	45.3	1.6%
<b>Electrica Distributie Muntenia Nord</b>	<b>Power distribution</b>	<b>EV/ EBITDA, EV/ Sales, P/B</b>	<b>833.4</b>	<b>22.0%</b>	<b>183.3</b>	<b>40.4</b>	<b>1.4%</b>
<b>Electrica Distributie Transilvania Nord</b>	<b>Power distribution</b>	<b>EV/ EBITDA, EV/ Sales, P/B</b>	<b>550.7</b>	<b>22.0%</b>	<b>121.2</b>	<b>26.7</b>	<b>0.9%</b>
<b>Electrica Distributie Transilvania Sud</b>	<b>Power distribution</b>	<b>EV/ EBITDA, EV/ Sales, P/B</b>	<b>578.5</b>	<b>22.0%</b>	<b>127.2</b>	<b>28.0</b>	<b>1.0%</b>
ENEL Distributie Banat	Power distribution	EV/ EBITDA, EV/ Sales, P/B	1,266.3	24.1%	305.4	67.3	2.4%
ENEL Distributie Dobrogea	Power distribution	EV/ EBITDA, EV/ Sales, P/B	771.7	24.1%	185.9	41.0	1.5%
ENEL Distributie Muntenia	Power distribution	EV/ EBITDA, EV/ Sales, P/B	1,958.2	12.0%	235.0	51.8	1.8%
Enel Energie Muntenia	Power distribution	EV/ EBITDA, EV/ Sales, P/B	281.0	12.0%	33.7	7.4	0.3%
<b>Electrica Furnizare</b>	<b>Power supply</b>	<b>EV/ EBITDA, EV/ Sales, P/B</b>	<b>61.6</b>	<b>22.0%</b>	<b>13.5</b>	<b>3.0</b>	<b>0.1%</b>
ENEL Energie	Power supply	EV/ EBITDA, EV/ Sales, P/B	54.4	12.0%	6.5	1.4	0.1%
<b>Aiports</b>			<b>2,281.3</b>		<b>456.3</b>	<b>100.5</b>	<b>3.6%</b>
CN Aeroporturi Bucuresti	Airports	EV/ EBITDA, EV/ Sales, P/B, EV/pax	2,053.1	20.0%	410.6	90.5	3.2%
AI Mihail Kogalniceanu	Airports	EV/ EBITDA, EV/ Sales, P/B, EV/pax	19.3	20.0%	3.9	0.8	0.0%
AI Timisoara - Traian Vuia	Airports	EV/ EBITDA, EV/ Sales, P/B, EV/pax	208.9	20.0%	41.8	9.2	0.3%
<b>Ports</b>			<b>386.2</b>		<b>77.2</b>	<b>17.0</b>	<b>0.6%</b>
CN Admin. Canalelor Navigabile	Ports	EV/ EBITDA, EV/ Sales, P/B	52.8	20.0%	10.6	2.3	0.1%
CN Admin. Porturilor Dunarii Fluviale	Ports	EV/ EBITDA, EV/ Sales, P/B	26.6	20.0%	5.3	1.2	0.0%
CN Admin. Porturilor Dunarii Maritime	Ports	EV/ EBITDA, EV/ Sales, P/B	10.4	20.0%	2.1	0.5	0.0%
CN Admin. Porturilor Maritime	Ports	EV/ EBITDA, EV/ Sales, P/B	296.4	20.0%	59.2	13.1	0.5%
<b>Others</b>			<b>380.5</b>		<b>134.4</b>	<b>29.6</b>	<b>1.0%</b>
Posta Romana	Mail delivery services	P/B of 0.5x	192.8	25.0%	48.2	10.6	0.4%
Societatea Nationala a Sarii	Salt production	P/B of 0.5x	100.0	49.0%	49.0	10.8	0.4%
Salubriserv	Waste collection	P/B of 0.5x	31.2	17.5%	5.5	1.2	0.0%
Zirom	Titanium processing	P/B of 0.5x	26.4	100.0%	26.4	5.8	0.2%
Ciocarlaia	Restaurants	P/B of 0.5x	11.5	1.7%	0.2	0.0	0.0%
Celuloza si Otel	Recycling	P/B of 0.5x	6.0	8.6%	0.5	0.1	0.0%
Electroconstructia Elco Cluj	Services	P/B of 0.5x	3.5	7.6%	0.3	0.1	0.0%
Comsig	Retail (food)	P/B of 0.5x	1.2	69.9%	0.9	0.2	0.0%
Cetatea	Real estate rental	P/B of 0.5x	1.0	20.4%	0.2	0.0	0.0%
Carom - Broker Asigurare	Life insurance	P/B of 0.5x	0.8	70.0%	0.5	0.1	0.0%
Commetex	Glass, ceramics	P/B of 0.5x	0.7	16.0%	0.1	0.0	0.0%
World Trade Hotel	Hotels	P/B of 0.5x	0.0	19.9%	0.0	0.0	0.0%
Carbid Fox	Chemicals	P/B of 0.5x	0.0	8.0%	0.0	0.0	0.0%
FECNE	Metallurgy	P/B of 0.5x	0.0	12.1%	0.0	0.0	0.0%
Gerovital Cosmetics	Health care	P/B of 0.5x	0.0	9.8%	0.0	0.0	0.0%
Petrotel - Lukoil	Oil products manufacturing	P/B of 0.5x	0.0	1.8%	0.0	0.0	0.0%
Plafar	Health care	P/B of 0.5x	5.3	49.0%	2.6	0.6	0.0%
Simtex	Services	P/B of 0.5x	0.0	30.0%	0.0	0.0	0.0%
World Trade Center Bucuresti	Services	P/B of 0.5x	0.0	19.9%	0.0	0.0	0.0%
Bat Service	Road transport	P/B of 0.5x	0.0	33.0%	0.0	0.0	0.0%
<b>Total unlisted</b>			<b>37,191.0</b>		<b>6,434.5</b>	<b>1,417.7</b>	<b>50.2%</b>

Source: Companies reports, NBG Securities estimates, Bloomberg

**Valuation multiples (based on NBG estimates)**

Company (Figures in RONm, unless otherwise stated)	P/E		EV/EBITDA		P/B		Net debt/ Equity
	2011	2012e	2011	2012e	2011	2012e	2011
Hidroelectrica	1,034.9	n.m	10.2	13.8	0.4	0.4	15%
Nuclearelectrica	32.9	53.9	9.7	10.0	0.4	0.4	28%
CE Oltenia	21.0	18.9	6.1	5.4	0.8	0.7	29%
Romgaz	9.9	9.0	3.7	3.3	1.1	1.1	net cash
E.ON Gaz Distributie	4.0	3.8	2.7	2.5	0.8	0.6	2%
GDF Suez Energy	9.0	6.4	7.3	4.4	0.7	0.6	3%
E.ON Energie Romania	n.m	n.m	n.m	n.m	0.5	0.8	74%
E.ON Moldova Distributie	129.7	12.4	4.9	3.6	0.5	0.5	net cash
<b>Electrica Distributie Muntenia Nord</b>	<b>12.4</b>	<b>9.5</b>	<b>4.8</b>	<b>3.6</b>	<b>0.7</b>	<b>0.6</b>	<b>net cash</b>
<b>Electrica Distributie Transilvania Nord</b>	<b>18.9</b>	<b>16.3</b>	<b>4.2</b>	<b>3.9</b>	<b>0.6</b>	<b>0.6</b>	<b>6%</b>
<b>Electrica Distributie Transilvania Sud</b>	<b>29.6</b>	<b>21.9</b>	<b>4.6</b>	<b>4.1</b>	<b>0.6</b>	<b>0.6</b>	<b>7%</b>
ENEL Distributie Banat	5.7	5.4	2.7	2.4	0.7	0.6	net cash
ENEL Distributie Dobrogea	7.1	6.4	3.4	3.0	0.6	0.6	net cash
ENEL Distributie Muntenia	38.8	15.8	3.0	2.4	0.7	0.7	net cash
Enel Energie Muntenia	n.m	18.8	n.m	-8.4	0.9	0.9	net cash
<b>Electrica Furnizare</b>	<b>3.2</b>	<b>2.8</b>	<b>2.4</b>	<b>2.0</b>	<b>0.8</b>	<b>0.6</b>	<b>79%</b>
ENEL Energie	n.m	n.m	n.m	n.m	0.4	0.7	net cash
CN Aeroporturi Bucuresti	39.0	47.3	10.4	10.4	0.4	0.4	3%
AI Mihail Kogalniceanu	566.4	46.5	7.9	6.8	1.5	1.5	net cash
AI Timisoara - Traian Vuia	24.0	20.6	10.4	9.1	5.2	5.1	net cash
CN Admin. Canalelor Navigabile	20.4	12.6	6.3	4.8	0.7	0.7	net cash
CN Admin. Porturilor Dunarii Fluviale	6.6	5.9	3.6	3.3	1.1	1.1	net cash
CN Admin. Porturilor Dunarii Maritime	10.4	10.2	3.6	3.4	1.0	1.0	net cash
CN Admin. Porturilor Maritime	7.0	6.3	3.9	3.4	0.8	0.8	11%

Source: Companies reports, NBG Securities estimates

**APPENDIX 1: Valuation summary**

Company	Official (NSC) NAV at Sept-2012			NBG estimates	
	FP's stake		weight in official NAV	RONm	weight in fair NAV
	%	RONm			
<b>Listed (25)</b>		<b>5,643.3</b>	<b>44.4%</b>	<b>5,640.8</b>	<b>44.0%</b>
Petrom	20.1%	4,477.9	35.2%	4,499.5	35.1%
Transgaz	15.0%	335.3	2.6%	358.0	2.8%
Alro	10.2%	163.3	1.3%	124.6	1.0%
BRD - GSG	3.6%	183.0	1.4%	186.7	1.5%
Transelectrica	13.5%	119.7	0.9%	111.7	0.9%
Erste Group Bank	0.1%	31.3	0.2%	36.4	0.3%
Raiffeisen Bank	0.4%	109.1	0.9%	118.2	0.9%
Conpet	29.7%	91.8	0.7%	93.1	0.7%
Primcom	75.5%	25.0	0.2%	23.4	0.2%
Romaero	21.0%	15.7	0.1%	14.4	0.1%
Oil Terminal	8.5%	7.6	0.1%	7.6	0.1%
Forsev	28.1%	6.3	0.0%	3.2	0.0%
Severnava	39.1%	0.4	0.0%	0.4	0.0%
Alcom	71.9%	6.8	0.1%	3.4	0.0%
Banca Transilvania	2.9%	62.5	0.5%	55.8	0.4%
Palace	15.4%	1.5	0.0%	1.5	0.0%
IOR	2.8%	1.2	0.0%	1.4	0.0%
Transilvania Com	40.0%	1.6	0.0%	0.8	0.0%
Comcereal Cluj	11.4%	1.1	0.0%	0.5	0.0%
Mecon	12.5%	0.4	0.0%	0.1	0.0%
Turdapan	44.1%	0.1	0.0%	0.1	0.0%
Mecanoenergetica	10.1%	0.1	0.0%	0.0	0.0%
Telerom Proiect	68.6%	1.7	0.0%	0.0	0.0%
Resib	2.9%	0.0	0.0%	0.0	0.0%
Romplumb	33.3%	0.0	0.0%	0.0	0.0%
<b>Not listed (44)</b>		<b>6,318.3</b>	<b>49.7%</b>	<b>6,434.5</b>	<b>50.2%</b>
Hidroelectrica	19.9%	0.0	0.0%	1,330.0	10.4%
Romgaz	15.0%	1,296.3	10.2%	1,528.4	11.9%
Nuclearelectrica	9.7%	497.6	3.9%	303.7	2.4%
CE Oltenia	21.5%	1,075.1	8.5%	813.2	6.3%
GDF Suez Energy	12.0%	339.6	2.7%	226.2	1.8%
Enel Distributie Muntenia	12.0%	344.0	2.7%	235.0	1.8%
CN Aeroporturi Bucuresti	20.0%	322.4	2.5%	410.6	3.2%
Enel Distributie Banat	24.1%	445.5	3.5%	305.4	2.4%
Electrica Distributie Muntenia Nord	22.0%	274.9	2.2%	183.3	1.4%
E.ON Moldova Distributie	22.0%	399.8	3.1%	205.7	1.6%
Enel Distributie Dobrogea	24.1%	301.4	2.4%	185.9	1.5%
Electrica Distributie Transilvania Sud	22.0%	202.6	1.6%	127.2	1.0%
Electrica Distributie Transilvania Nord	22.0%	189.0	1.5%	121.2	0.9%
Posta Romana	25.0%	96.4	0.8%	48.2	0.4%
E.ON Gaz Distributie	12.0%	143.3	1.1%	110.2	0.9%

Company	Official (NSC) NAV at Sept-2012			NBG estimates	
	FP's stake		weight in official NAV	RONm	weight in fair NAV
	%	RONm			
E.ON Energie Romania	13.4%	68.4	0.5%	37.6	0.3%
Societatea Nationala a Sarii	49.0%	98.0	0.8%	49.0	0.4%
CN Admin. Porturilor Maritime	20.0%	67.4	0.5%	59.2	0.5%
<b>Electrica Furnizare</b>	<b>22.0%</b>	<b>0.0</b>	<b>0.0%</b>	<b>13.5</b>	<b>0.1%</b>
Zrom	100.0%	52.8	0.4%	26.4	0.2%
Enel Energie Muntenia	12.0%	37.2	0.3%	33.7	0.3%
Enel Energie	12.0%	14.5	0.1%	6.5	0.1%
CN Admin. Canalelor Navigabile	20.0%	15.5	0.1%	10.6	0.1%
AI Timisoara - Traian Vuia	20.0%	6.4	0.1%	41.8	0.3%
Salubriserv	17.5%	10.9	0.1%	5.5	0.0%
CN Admin. Porturilor Dunarii Fluviale	20.0%	3.5	0.0%	5.3	0.0%
AI Mihail Kogalniceanu	20.0%	5.0	0.0%	3.9	0.0%
CN Admin. Porturilor Dunarii Maritime	20.0%	0.0	0.0%	2.1	0.0%
Carom - Broker Asigurare	70.0%	1.1	0.0%	0.5	0.0%
Celuloza si Otel	8.6%	1.0	0.0%	0.5	0.0%
Electroconstructia Elco Cluj	7.6%	0.5	0.0%	0.3	0.0%
Cetatea	20.4%	0.4	0.0%	0.2	0.0%
Ciocarlaia	1.7%	0.4	0.0%	0.2	0.0%
Commetex	16.0%	0.2	0.0%	0.1	0.0%
Comsig	69.9%	1.7	0.0%	0.9	0.0%
World Trade Hotel	19.9%	0.0	0.0%	0.0	0.0%
Bat Service	33.0%	0.0	0.0%	0	0.0%
Carbid Fox	8.0%	0.0	0.0%	0	0.0%
FECNE	12.1%	0.0	0.0%	0	0.0%
Gerovital Cosmetics	9.8%	0.0	0.0%	0	0.0%
Petrotel - Lukoil	1.8%	0.0	0.0%	0	0.0%
Plafar	49.0%	5.2	0.0%	2.6	0.0%
Simtex	30.0%	0.0	0.0%	0	0.0%
World Trade Center Bucuresti	19.9%	0.0	0.0%	0	0.0%
<b>Total portfolio</b>		<b>11,962</b>	<b>94.1%</b>	<b>12,075</b>	<b>94.2%</b>

Source: Company reports; NBG Securities estimates

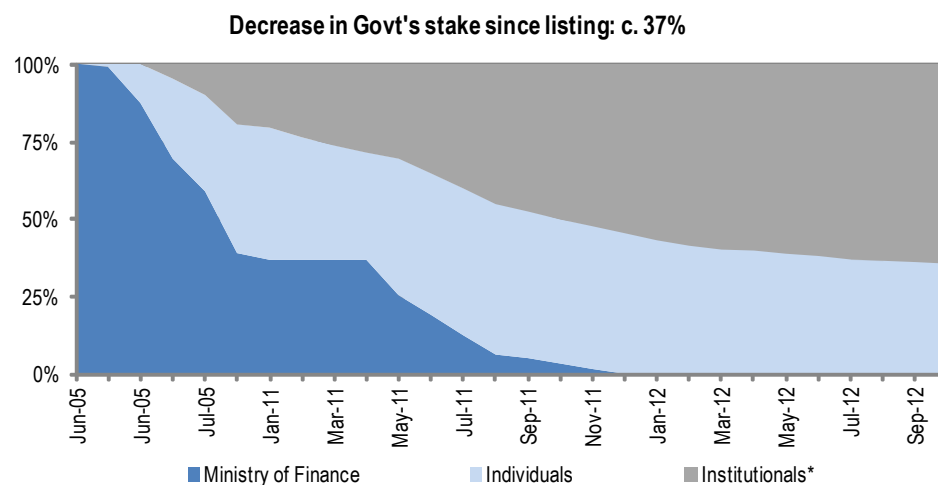


**APPENDIX 2: Shareholding structure**

Split by investor type	31 October 2012			30 September 2012			MoM <sup>1</sup> (pps)	Since listing <sup>1,2</sup> (pps)
	No of shareholders	% of share capital	% of paid-in capital	No of shareholders	% of share capital	% of paid-in capital		
<b>Ministry of Finance</b>	<b>1</b>	<b>2.7%</b>	<b>0.0%</b>	<b>1</b>	<b>2.7%</b>	<b>0.0%</b>	-	(36.8)
<b>Individual investors</b>	<b>n.a.</b>	<b>34.7%</b>	<b>35.7%</b>	<b>n.a.</b>	<b>35.2%</b>	<b>36.2%</b>	<b>(0.5)</b>	<b>(7.0)</b>
<i>local</i>	<i>n.a.</i>	<i>28.5%</i>	<i>29.3%</i>	<i>n.a.</i>	<i>28.9%</i>	<i>29.7%</i>	<i>(0.4)</i>	<i>n.a.</i>
<i>foreign</i>	<i>n.a.</i>	<i>6.2%</i>	<i>6.4%</i>	<i>n.a.</i>	<i>6.3%</i>	<i>6.5%</i>	<i>(0.1)</i>	<i>n.a.</i>
<b>Institutional investors</b>	<b>n.a.</b>	<b>62.6%</b>	<b>64.3%</b>	<b>n.a.</b>	<b>62.1%</b>	<b>63.8%</b>	<b>0.5</b>	<b>43.7</b>
<i>local</i>	<i>n.a.</i>	<i>11.1%</i>	<i>11.4%</i>	<i>n.a.</i>	<i>11.2%</i>	<i>11.5%</i>	<i>(0.1)</i>	<i>n.a.</i>
of which bought-back by FP	<i>n.a.</i>	<i>1.7%</i>	<i>1.8%</i>	<i>n.a.</i>	<i>1.7%</i>	<i>1.8%</i>	<i>(0.0)</i>	<i>n.a.</i>
<i>foreign</i>	<i>n.a.</i>	<i>51.5%</i>	<i>52.9%</i>	<i>n.a.</i>	<i>50.9%</i>	<i>52.3%</i>	<i>0.6</i>	<i>n.a.</i>
<b>Total</b>	<b>9,495</b>	<b>100.0%</b>	<b>100.0%</b>	<b>9,673</b>	<b>100.0%</b>	<b>100.0%</b>	-	-

Source: Fondul Proprietatea

<sup>1</sup> - % of paid-in capital; <sup>2</sup> - end-Feb 2011

**Shareholding breakdown Dec 2005 - Oct 2012**


Source: Fondul Proprietatea

\* 18% stake in treasury shares (bought -back by FP)

## Disclosure Appendix

This document is issued by the following company (hereinafter referred to as the "Company"):

NBG SECURITIES Romania SA, 145 Calea Victoriei Str Victoria Center, 7th floor, 8th level, 1st District, Romania  
Regulatory Authority: Romanian National Securities Commission (C.N.V.M.); CNVM Authorization No. 2234 / 07.22.2003

The Company is not engaged in any agreement with the subject companies for the preparation of this report.

The information contained in this report including any expression of opinion has been taken from sources believed to be reliable but it cannot be guaranteed and no warranty or representation is given that such information is accurate or complete and it should not be relied upon as such. The Company and/or their associated group companies or a person or persons connected with the companies may from time to time act on their own account in transactions in any securities mentioned herein. The Company may do and may seek to do business with companies covered in its research reports. Therefore, investors should be aware that there might be a conflict of interest that could influence the impartiality of this report. Investors should consider this report as only one of the factors influencing their investment decision. Securities contented in this report are subject to investment risks, including, but without being limited thereto, the loss of the initial capital invested, fluctuations of market prices and exchange rates, uncertainty of dividends, performance and/or profits. No part of this report may be reproduced or passed on in any manner without prior permission. We verify that this report has been prepared according to our regulations and guidelines concerning conflict management. According to the Company's regulations, the Research and Analysis Departments thereof is restricted to communicate and publish only the necessary data according to applicable laws. The Company implements the appropriate procedures to ensure Chinese walls with Research Department. The Company complies with the related regulations regarding confidential information and market abuse.

This document does not constitute or form part of an offer or invitation to subscribe for or purchase or sell or solicitation of any offer to subscribe for or purchase or sell any securities referred to herein and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. The information contained in this document including any expression of opinion has been taken from sources believed to be reliable but it cannot be guaranteed and no warranty or representation is given that such information is accurate or complete and it should not be relied upon as such.

NBG SECURITIES ROMANIA SA and/or its associated group companies or a person or persons connected with us may from time to time act on their own account in transactions in any securities mentioned herein or in any related investment or may act as a market maker or may have acted in some capacity in relation to a public offering of such securities in the past. Additional information regarding this will be furnished upon request.

This document is furnished to you alone and no part of this report may be reproduced or passed on in any manner without the prior written permission of NBG SECURITIES ROMANIA SA.

The information herein has been obtained from, and any opinions herein are based upon, sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied upon as such. All opinions, forecasts and estimates herein reflect our judgment on the date of this report and are subject to change, so as any changes will be properly distinguish in the following such report. The report is not intended to be an offer, or the solicitation of any offer, to buy or sell the securities referred to herein. From time to time NBG SECURITIES ROMANIA SA or its affiliates or the principals or employees of NBG SECURITIES ROMANIA SA or its affiliates may have a position in the securities referred to herein or hold options, warrants or rights with respect thereto or other securities of such issuers and may make a market or otherwise act as principal in transactions in any of these securities. NBG SECURITIES ROMANIA SA or its affiliates or the principals or employees of NBG SECURITIES ROMANIA SA or its affiliates may from time to time provide investment banking or consultancy services to a company being reported on herein. Further information on the securities referred to herein may be obtained from NBG SECURITIES ROMANIA SA upon request.

### Analyst Certification

The following analysts hereby certify that the views expressed in this research report accurately reflect their personal views about the subject securities and issuers and that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report: Irina Cretu.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

The Companies' policy is to update research reports, as they deem appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research view or opinions stated herein.

### Disclosure Checklist for Companies mentioned

Company Name	Reuters	Disclosure
Fondul Proprietea	FP.BX	None

Source: NBG SECURITIES Romania

1. The Company and/or their affiliate(s) have acted as manager/co-manager/adviser in the underwriting or placement of securities of this company within the past 12 months.
2. The Company and/or their affiliate(s) have received compensation for investment banking services from this company during the past 12 months.
3. The Company and/or their affiliate(s) make a market in the securities of this company.
4. The Company and/or their affiliate(s) own five percent or more of the total share capital of this company.
5. The Company and/or their affiliate(s) own five percent or more of the total share capital of NBG SECURITIES ROMANIA SA and its affiliates.
6. The Company and/or their affiliate(s) have sent the research report to the company prior to publication for factual verification.
7. Following 6, the Company and/or their affiliate(s) have changed the contents of the initially sent research report, with respect to: no change.
8. The Company and/or their affiliate(s) have received compensation from the company for the preparation of this research report.
9. The Company and/or their affiliate(s) have acted as a broker in stock options plans, share buybacks and/or own shares sales of securities of this company within the past 12 months.
10. The Company and/or their affiliate(s) have acted as an arranger and/or credit facilitator and/or advisor in the issuance of convertible bonds and/or in the provision of credit facility.

### Risks and sensitivity:

The views and recommendations for the companies mentioned in this daily report have various levels of risk depending on company, industry and market events. In addition, our target prices and estimates for the companies mentioned in this daily report are sensitive to various factors including interest rates, inflation, the local economic environment, market volatility, management continuity or other company specific events.

### Rating History for Fondul Proprietea:

The ratings written in bold from the table below have been subject to changes since the previous research report:

Date	Rating	Price (RON)	Target Price (RON)
14 January 2011 - Initiation	Outperform	n.a.(not listed)	0.79
15 October 2012	Outperform	0.537	0.72

### Ratings Distribution in Romania

	Outperform	Neutral	Underperform
Romanian Equity Research Coverage (11)	42%	50%	8%

Source: NBG SECURITIES Romania

### Definition of Investment Ratings

**Outperform, Neutral, Underperform**: Denote notional investment ratings (not recommendations) pegged to the performance of the General Index, which imply a positive, neutral and negative view respectively.

**Outperform**: The stock is expected to perform above the General Index

**Neutral**: The stock is expected to perform in line with the General Index

**Underperform**: The stock is expected to perform below the General Index

Further information on the securities referred to herein may be obtained upon request from:

**Irina Cretu**  
Head of Research  
Tel.: +4021 305 1708  
icretu@nbgsecurities.ro

All prices and valuation multiples are based on the closing of the market's last session prior to the issue of the report, unless stated otherwise.

**NBG SECURITIES ROMANIA S.A.****Sales****Research**

CNVM Authorization No. 2234 / 07.22.2003

Liviu Avram

+4021 305 1718

Irina Cretu

+4021 305 1708

Bucharest, 145 Calea Victoriei, Victoria Center, 7th floor, 8th level, 1st District, Romania

Alexandru Pasalan

+4021 305 1717

Elena Petrescu

+4021 305 1707

Tel: +4021 305 17 00  
+40723 312 122

Adina Panchevici

+4021 305 1706

Vlad Pintilie

+4021 305 1711

Fax: +4021 305 17 04

E-mail: [invest@nbgsecurities.ro](mailto:invest@nbgsecurities.ro)

Bloomberg page: NBGS

General Manager +4021 305 17 01