



Fondul Proprietatea

Romania | Investment Funds

Outperform

Target Price RON1.02

Cash necessities to prompt discount narrowing

22 June 2015

Investment Case & Valuation

We derive a target market cap of RON10.9bn (EUR2.4bn) and a Target Price per share of RON1.02, entailing a 21% upside potential vs. the last trading price. 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 RON12.9bn (EUR2.9bn), to which we apply a 15% discount for conglomerates /closed-end funds. We maintain our Outperform rating for the stock due to improved valuation of unlisted holdings, expectations of a more narrowed discount following gov't listing pipeline in the medium term, continuation of buyback programs, dedication to distributing cash to investors, as well as improved visibility (albeit not volumes yet) stemming from the secondary listing on the LSE's Specialist Fund Market (SFM).

Buy-backs remain primary generators of positive sentiment towards the stock

Fondul Proprietatea has already completed four buy-back programs worth a total of 19.6% of share capital between May-2011 and Feb-15, and the fifth one worth 227.6m shares or 1.9% of capital (which has been approved by the 28-Apr-2014 GSM) is currently in full swing (execution started as of 10-Feb). The plan is to continue cancelling shares, as the Fund has done with the first three buyback sessions (fourth cancellation pending). The manager has also submitted for and received shareholders' approval (27-Apr-15 GSM) for a sixth buy-back of 838.3m shares (or 7.3% of share capital) within a price range of RON0.2-2.0 per share, to be carried out after the completion of the fifth program.

Investors to receive a RON 0.05/sh. cash distribution for the second year in a row

The Fund manager proposed a cash distribution to investors worth RON0.05 /sh (5.9% yield) for the second year in a row, to which shareholders agreed. This will be done via decrease of share capital through the reduction of the nominal value of the Fund's shares. The Fund manager argued that this is a more tax efficient option, as no Romanian tax will arise for the Fund or its shareholders on this distribution. The decrease of share capital was endorsed by the FSA and will start on 29-Jun-2015 (ex-date 24-Jun-2015).

Faltering dividend income, but contribution from Hidroelectrica is particularly positive

A 23% decline in dividend income is expected this year, as the Fund is seen to cash-in around RON532m in dividends from its holdings, mostly due to the decrease in earnings for OMV Petrom. A positive note will be the RON129m to be received from Hidroelectrica, as the hydropower company performed very well in the past year.

Asset disposals performed at the right time should narrow the discount

The Fund announced that further disposals are to come, and they are needed in order to support the following buyback programs, especially as dividend income is currently declining. The expected stake sale in OMV Petrom (FP management hinted they would like to decrease their stake from 19% to below 15%) is probably delayed due to the adverse operating environment, but further market developments may prompt the Fund to accelerate the divestment process. Additionally, an improved performance of smaller companies in its portfolio should enrich their view as purchase targets.

Vlad Pintilie

+40 21 305 1711

vlad.pintilie@nbgsecurities.com

Stock Data & Performance

Rating	Outperform
Previous	[unchanged]
Target price (12-month)	RON1.024
Previous	RON0.910
Last Price (19-06-15)	RON0.849
Upside to target price	21%
52-week range	RON0.81 / RON0.95
Market cap.	EUR2.30bn
Reuters / Bloomberg	FP.BX/FP RO
3m avg. trading volume	EUR1.58m
Free float	100%
Abs performance ytd	-5.2%
Rel. performance ytd (to BET)	-8.1%

Source: Stockground, NBG Securities Research

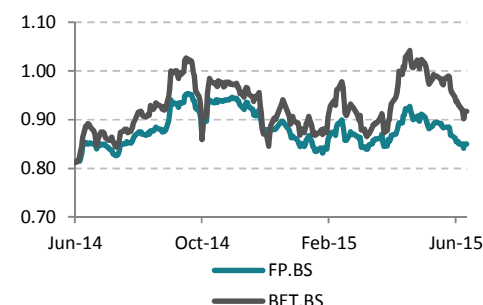
Valuation

Net Asset Value (NAV)	RONm	% of fair NAV	per sh. (RON)
Listed (17)	6,109	47.4%	0.57
o/w Petrom	3,959	30.7%	0.37
Unlisted (36)	6,928	53.7%	0.65
Power generators	1,989	15.4%	0.19
Utilities	4,002	31.0%	0.37
Others	937	7.3%	0.09
Other assets (net)	-136	-1.1%	(0.01)
Fair NAV	12,900	100.0%	1.21
Target Mcap	10,965		1.02
Official NAV*	12,667		1.18
Last price vs. fair NAV per share			-30%
Last price vs reported NAV per share			-28%

Source: Company data, NBG Securities Research

* as of Apr-15 (in line with FSA regulations)

Price performance (rebased)



Source: Stockground, NBG Securities Research

Contents

Key investment themes	Pg 3
Fund manager performance	Pg 7
Secondary listing details	Pg 8
Portfolio details	Pg 9
Valuation	Pg 11
Company Snapshot	Pg 16
Disclaimer	Pg 17

Key investment themes

Buy-back remain primary generators of positive sentiment towards the stock

The main catalysts which already underpinned and will continue to support the narrowing of the trading discount of the Fund (now at 28%), are (in order of their importance): (1) the continuation of buy-back programs, (2) cash distributions to shareholders, (3) IPOs and improvement in the portfolio asset quality. The secondary listing has not yet added to the cause, with the discount widening from 22.3% on 29-Apr (the day GDRs started trading on the LSE's Special Fund Market segment). Liquidity on this market has also plummeted from a high in the first day of trading.

Fondul Proprietatea has already completed four buy-back programs worth a total of 19.6% of share capital (of which, as the table below shows, the Fund still has 9.4%) between May-2011 and Feb-15, and the fifth one worth 227.6m shares or 1.9% of capital (which has been approved by the 28-Apr-2014 GSM) is currently in full swing (execution started as of 10-Feb). Additionally, the Fund manager has submitted for and received shareholders' approval (in the 27-Apr GSM) for a sixth buy-back to repurchase 838.3m shares (or 7.3% of share capital) within a price range of RON0.2-2.0 per share, to be carried out after the completion of the fifth buy-back program.

Buy-back programs details

	1st buy-back (completed)	2nd buy-back (completed)	3rd buy-back (completed)	4th buy-back (completed)	5th buy-back (ongoing)	6th buyback (approved)
Period	May-Sep 2011	Apr-Dec 2013	Mar-Jul 2014	Oct 2014 - Feb 2015	approved by shareholders in the 28-Apr-2014 GSM; ongoing	approved by shareholders in the 27-Apr-2015 GSM
No of shares (m)	240.3	1,101.0	252.9	990.9	227.6	891.8
% of share capital	1.7%	8.0%	1.9%	8.0%	1.9%	7.3%
Cancelled shares?	yes	yes	yes	Cancellation ongoing	Buy-back not completed	Buy-back not completed
Own shares***	1.8%	10.0%	10.3%	8.6%	9.4% (May-2015)	n.a.
Value (RONm)		974.8	205.4	1,046.1	200.3*	838.3**
Avg price (RON)	120.3 0.50	0.87	0.81	1.06	0.88*	0.94**
Open market method	100%	501m shares, RON0.72 /sh avg price	100%	241m shares, RON0.89 /sh avg price	125m shares acquired so far; 103m shares remaining	
Tender offer method		600m shares at RON1.0 /sh		750m shares at RON1.11 /sh		

Source: Company reports, NBG Securities Research

*estimates based on current price levels at which the Fund is buying back shares

**estimates based on model assumptions of narrowing the discount

***% of paid share capital at completion or latest

Asset disposals are required in order to support the fifth and sixth buy-back programs

Buy-backs will remain central to the Fund manager's strategy in reducing the discount and returning value to shareholders. The impact of the sizable shares repurchases in 2014 has been mirrored in the stock's strong performance, and we believe that high expectations for future tender offers at appealing prices (e.g. RON1.11 at the tender offer in 2014) will most likely support the stock's price going-forward. Albeit the current buy-back is rather modest in size and is more likely to be carried out through open market purchases, the sixth program is large enough and could justify another accelerated buy-back tender offer.

The execution of the buy-back programs is subject to available cash and the 25% of the trading volume restriction. In terms of available cash, the current liquidity position and the dividend income to be received this year (with the sizeable infusion from Hidroelectrica's RON965m net profit for 2014) will be enough to support the execution of the fifth buyback and the distribution of the RON0.05 per share special dividend. However, the necessary funds for the completion of the sixth buy-back (estimated to exceed RON800m) have to be assured via asset disposals or bridge loans (FP took out a RON500m credit line from Citibank in May-2015). The fund has stated that it plans to diminish its 19% stake in OMV Petrom to under 15% (min. 4% stake sale). As per the fund's bylaws, FP would need shareholders' approval for any transaction which exceeds 20% of the value of its non-current assets, less any receivables. According to the latest financial statements (May-2015), the cap is at RON1.3bn, which means that FP could not sell a stake of more than 5.9% in OMV Petrom without

a GSM decision.

Cancellation of the treasury shares had proved cumbersome in the past, due to several setbacks, including litigations initiated by a shareholder of the Fund who contested decisions taken in the GSM. The Fund received FSA's approval for the cancellation of the 990.9m shares acquired in the fourth buyback (Mar-Jul 2014). The Fund cannot hold treasury shares over 10% of its share capital, and it has already cancelled shares from the first three buybacks and plans to continue to do so after receiving approval from FSA for the fourth program.

Cash distributions to investors instead of dividends, includes tax advantage

Article 69 of the Companies Law requires that the net asset value of the Fund be higher than the share capital of the Fund, in order for distribution of profits to be possible through dividends. However, the FSA's official interpretation has the direct effect that the ability to distribute dividends should be established based on the concept of 'total shareholders' equity' calculated in accordance with CNVM Regulation no. 4/2011.

As at 31-Dec-2014, the 'total shareholders' equity' in the financial statements (prepared in accordance with Regulation 4/2011) was RON9,339.0m, which is below the subscribed share capital of the Fund of RON10,965.9m. Therefore, according to the FSA Endorsement, the Fund Manager cannot currently propose or make any dividend distributions to the Fund's shareholders.

In lieu of dividends, the Fund manager proposed a cash distribution to investors worth RON0.05 /sh (5.9% yield) for the second year in a row, which the shareholders approved, and which is also exempt from straightforward dividend taxation. This will be done via the decrease of the share capital through the reduction of the nominal value of the Fund's shares. The Fund manager argued that this is a more tax efficient option, as no Romanian tax will arise for the Fund or its shareholders on this distribution. The decrease of share capital is subject to the endorsement from the FSA, which the Fund also received.

Gross dividend /cash distribution to shareholders

From net profit of year	2010	2011	2012	2013	2014
Net profit (RONm)	456	544	567	682	1,030
Payout ratio*	95%	93%	95%	n.a.	n.a.
DPS (RON)*	0.03141	0.03854	0.04089	0.05	0.05
Yield	7.00%	7.50%	7.90%	6.20%	5.90%

Source: Company data

*For the years 2013 and 2014, capital returns were selected in lieu of dividends, due to FSA regulations

Below are some details regarding the different changes in share capital and number of shares performed or expected, with respect to par value decreases in view of cash distributions or cancellations of shares purchased within the several buyback programs.

Details of changes in share capital & number of shares

Date	Changes in share capital		No of shares		Nominal value RON)	Comment
	Subscribed share capital	Paid share capital	Subscribed	Paid		
24-Feb-14	13,538,087,407	13,172,832,785	13,538,087,407	13,172,832,785	1.00	Cancellation of 240.3m shares in the 1st buyback Off-set between the value of the Romanian State's unpaid share capital towards the Fund and the value of newly received shares by the Fund from the Romanian State in CE Oltenia (26,904 shares received by the Fund therein with a value of RON 269,040) and Hidroelectrica (99,999 shares received by the Fund therein with a value of RON 999,990).
07-Apr-14	13,538,087,407	13,174,101,815	13,538,087,407	13,174,101,815	1.00	Par value decrease in view of RON0.05 /sh cash distribution.
12-Aug-14	12,861,183,037	12,515,396,724	13,538,087,407	13,174,101,815	0.95	Off-set between the value of the Romanian State's unpaid share capital towards the Fund and the value of newly received shares by the Fund from the gov't in Hidroelectrica (16.324 shares received by the Fund therein with a value of RON 163.240).
16-Sep-14	12,861,183,037	12,515,559,964	13,538,087,407	13,174,273,646	0.95	
26-Sep-14	11,815,279,887	11,469,656,814	12,437,136,723	12,073,322,962	0.95	Share capital decrease through the cancellation of the 1.1bn shares acquired in the 2 nd buyback

27-Jan-15	11,575,064,734	11,229,443,001	12,184,278,667	11,820,466,317	0.95	Share capital decrease through the cancellation of the 252.9m shares acquired in the 3 rd buyback
21-May-15	10,965,850,800	10,638,419,685	12,184,278,667	11,820,466,317	0.90	Par value decrease in view of RON0.05 /sh cash distribution.
TBD	10,074,080,746		11,193,423,051		0.90	Share capital decrease through the cancellation of the 990.9m shares acquired in the 4 th buyback.

Source: Company data

Going-forward, we expect more of this type of cash distributions to shareholders instead of regular dividends. There are several reasons for this, most importantly that IFRS will become the statutory set of financials, which increases the volatility of the bottom line, as all impairment losses are recognized through P&L, as opposed to equity currently (standalone IFRS net result in 2014 was a profit of just RON427.2m).

The Fund Manager proposes to keep the remaining figures within unallocated retained earnings, due to the fact that, according to the official interpretation of the FSA on the definition of “net asset value” for the Fund, dividend distributions cannot be made to shareholders at the present time, because the Fund’s shareholders’ equity calculated in accordance with Romanian Accounting Standards of RON9.3bn is lower than the share capital of the Fund of RON10.9bn.

Cash windfall from Hidroelectrica expected to support FP’s 2015 dividend income after decline in SNG stake and in SNP profits

Dividend income will decline this year, as the Fund is expected to cash-in around RON532m in dividends from its holdings, mostly due to the decline in earnings for OMV Petrom (which is experiencing weak operating performance as a cause of the low oil price environment). The raked-in dividends would have been lower if not for the RON129m to be received from Hidroelectrica, as the company performed exceptionally well in the past year (the proposal obtained shareholders’ approval, and still has to be approved by creditors, but we expect this to have a positive outcome for FP). On an annual basis, we estimate the overall figure to decline c 23%. Overall, the two oil & gas players, Petrom and Romgaz, are expected to remain in first place as the largest contributors to dividend income (jointly accounting for 46% of total dividend income in 2015), after Hidroelectrica’s contribution (24% of total dividend income in 2015).

Dividend income (RONm)					
From profit for year	2014	2015e	Contrib.	Total Div.	FP Stake
Hidroelectrica	0	129	24%	646.4	19.9%
OMV Petrom	331	120	23%	634.4	19.0%
Romgaz	149	121	23%	1214.1	10.0%
GDF Suez Energy	34	13	2%	105.0	12.0%
Nuclearelectrica	33	8	2%	90.4	9.1%
Electrica Distributie Muntenia Nord	23	25	5%	112.2	22.0%
Transelectrica	22	0	0%	0.0	0.0%
Societatea Nationala a Sariei	20	20	4%	40.0	49.0%
Electrica Furnizare	20	46	9%	209.0	22.0%
Electrica Distributie Transilvania Sud	13	18	3%	80.1	22.0%
CN Aeroporturi Bucuresti	12	0	0%	0.0	20.0%
Electrica Distributie Transilvania Nord	12	17	3%	76.3	22.0%
CN Admin. Porturilor Maritime	10	13	2%	64.4	20.0%
Conpet	9	3	1%	51	6.1%
CN Admin. Canalelor Navigabile	0	0	0%	0.8	20.0%
Total	687	532	100%		

Source: Company data, NBG Securities Research

Going-forward, we expect the dividend income line to lose its previous status of main driver of the dividend policy, but will continue to offer a strong support in building the liquidity position needed to fund buy-backs and other cash distributions to shareholders.

Further divestments are in the cards going forward

The fund indicated that short term cash shortages might be covered by bridge loans, but ultimately more divestments are needed to fill the gaps. After Enel announced that it cancelled the sale of its local assets, the Fund’s hopes hinged on a deal with Electrica. We anticipated a deal could have been reached in 1H15 but, surprisingly, the two parties announced that they interrupted negotiations due to disagreements on pricing issues. Thus, the Fund needs more asset disposals to support the proposed sixth buy-back, and so far the only potential deal is the already announced one for OMV Petrom. However, since the oil price has been under considerable pressures, dragging down Petrom’s share

price, we believe the deal could be some way off.

In 2013, the Fund sold its entire holdings in Carom Broker de Asigurare Mecanoenergetica, Ciocirlia, Telerom Proiect, Celuloză si Otel and Transgaz (for RON303m), and finalised the disposal of its holding in Commetex. In May 2013, the Fund sold 632.5m shares in OMV Petrom (c. 1.1% stake) for RON247m. Also, in the last quarter of 2013, the Fund sold part of the holdings in Raiffeisen Bank International AG. The gain on disposal of these equity investments was RON115.1m, representing the difference between the proceeds from disposals (RON324.7m) and the carrying values of the equity investments as at disposal date (RON409.8m), plus the net unrealised gain related to these investments disposed, transferred from equity (other comprehensive income) to profit or loss upon their derecognition (RON200.2m).

Portfolio clean-up continued in 2014, and the Fund sold its entire holdings in Erste Group Bank, Raiffeisen Bank, Resib, Severnav, Transelectrica, Transilvania Com, Turdapan and part of its holding in Conpet, Oil Terminal and Romgaz. In Oct-2014, Carbid Fox was erased from the Romanian Trade Register, at the end of bankruptcy procedure. The net gain on disposal of these equity investments was RON645.5m representing the difference between the proceeds from disposals (RON1,074.9m) and the carrying values of the equity investments as at disposal date (RON1,046.1m), plus the net unrealised gain related to these investments disposed, transferred from equity (other comprehensive income) to profit or loss upon their derecognition (RON 616.8m).

Gov't IPO/SPO calendar – prospects for 2H15 and 2016

After a busy 2013, the IPO pipeline has become lost its flow after Hidroelectrica re-entering the insolvency procedure. Additionally, CE Oltenia is likely to be delayed due to resources assessment. Nevertheless, we see that the Government seems to hold firm its commitment towards the privatization schedule, and we rate the latest delays as being caused by factors which were outside of their control.

Following the 2013 IPOs, the weight of the listed shares in the Fund's portfolio has increased to 55% from 44% previously. Worth to note that the largest unlisted company is Hidroelectrica (c 35% of the total value of unlisted companies in the portfolio, based on official NAV data). Thus, the exit from insolvency and the subsequent listing of the company will provide another substantial jump in portfolio liquidity.

Government offering calendar for FP's holdings

Company	Ticker	Seller	Offering stake	Stake value (EURm)*	Est. timeline	Status
Transelectrica	TEL	Romanian State	15%	37.6		Completed in March-2012
Transgaz	TGN	Romanian State	15%	72.0		Completed in April-2013
Nuclearelectrica	SNN	New shares	10%	63.2		Completed in September-2013
Romgaz	SNG	Romanian State	15%	382.8		Completed in November-2013
Electrica SA**	EL	New shares	51%	442.2		Completed in June-2014
Hidroelectrica	Not listed	New shares	15%	369.9	IPO - 1H16	delayed by the insolvency proceedings
Posta Romana	Not listed	New shares	>50%	>37.4	Privatisation	no bidder; privatisation delayed
CE Oltenia	Not listed	New shares	12.0/15.3%	15.1 /18.8	IPO - 2016	delayed due to as the assessment of coal reserves and poor financial results
CN Aeoporturi Bucuresti	Not listed	New shares	20%-30%	75.4 /113.1	IPO - 2015	intent signalled by PM Ponta
CN Admin. Porturilor Maritime	Not listed	Romanian State	5%	7.4	n.a.	n.a.
CN Admin. Canalelor Navigabile	Not listed	Romanian State	5%	0.9	n.a.	n.a.
CN Admin. Porturilor Dunarii Fluviale	Not listed	Romanian State	5%	0.2	n.a.	n.a.
CN Admin. Porturilor Dunarii Maritime	Not listed	Romanian State	5%	0.0	n.a.	n.a.

Source: Fondul Proprietatea, NBG Securities Research, media

* Transaction price for completed deals, Mar-2015 NAV for prospects

** FP is not a shareholder of the company, but a shareholder of the subsidiaries of Electrica

Fund manager performance

IMA terms eye a narrowing of the discount towards 15%

On 22-Nov-2013, shareholders approved the extension of Franklin Templeton's mandate by a 2-years period, starting with 30-Sept-2014. The changes of the Constitutive Act regarding the new mandate have been endorsed by the FSA.

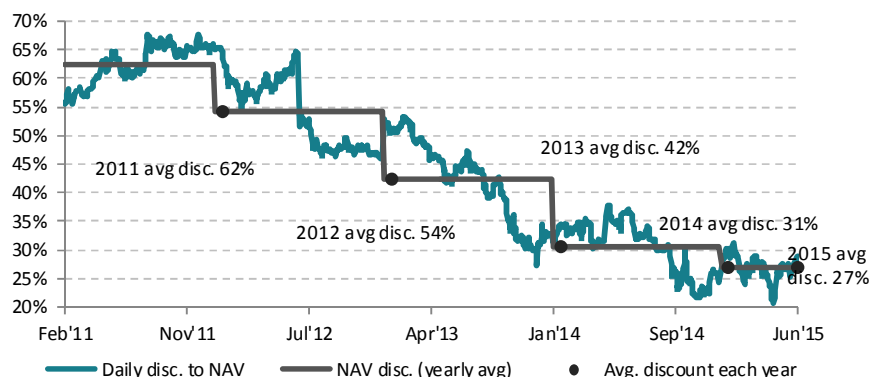
Following the negotiations with the Board of Nominees, the key terms of the IMA are as follows:

- There are two Performance Objectives included in the Investment Policy Statement :
 - (1) the discount between the closing share price for each trading day and the latest published NAV per share being equal to or lower than 15% in at least two thirds of the trading days in the period 1-Oct-2014 and 30-Jun-2015 (already not met);
 - (2) the adjusted NAV per share at 30-Jun-2015 must be higher than the NAV per share at 30-Sept-2013 (RON1.1610). For the purpose of applying this performance criterion, the adjusted NAV per share will be computed as: the NAV computed as per the legal provisions in force + any returns to shareholders following reductions of the share capital during the period 11-Oct-2013 and 30-Jun-2015 + any variable fee paid to Franklin Templeton, all divided by the number of paid shares at 30-Jun-2015 less the number of shares bought back (and not cancelled) by the Fund.
- The Fund Manager will call a GSM each year in October to review the performance of the Fund Manager and shareholders vote on the continuation or termination of the mandate.

The Board of Nominees has proposed an increase in the base fee to 0.60% from 0.479% of the average quarterly market cap of the Fund, and a distribution fee will be introduced to reward the Fund manager for excess distributions to shareholders (2% of total non-dividend distributions until Oct-2015, and 1% afterwards).

The narrowing of the trading discount to 15% until end-Jun-2015 is unattainable. For future attempts to reach this target, one straight-forward method that could be used by the asset manager would be the pursue of another tender offer (like the one employed during the 4th buy-back program) at an even more appealing offering price, maybe close to the NAVPS. This could be performed during the 6th buyback program, which is of a considerable size (891.8m shares).

Discount to NAV



Source: Stockground, NBG Securities Research, Company data

Secondary listing details

Due to extended delays from the CNVM and the FSA, the current regulatory environment did not allow the Fund Manager to complete the secondary listing on the WSE by 2013, in line with the received mandate. Still, given the envisaged benefits of a secondary listing, the Fund manager came up with a new proposal to list the Fund on the Specialist Fund Market (SFM) of the London Stock Exchange via Depositary Interests (DIs) by end-2014. That endeavour was also unsuccessful, but the new deadline of late Apr-2015 was met, albeit through GDRs. The proposal for the secondary listing embodied the following ideas:

- (1) Broadening of the foreign institutional investor base not currently active in Romania, which should benefit the Fund as well as other companies in FP's portfolio, (2) Increase visibility (the Fund will be one of the largest closed-end funds listed on SFM on LSE), (3)

Increased research coverage from brokers.

- Fungible trading between London and Bucharest was expected to be achieved via the use of Depositary Interests (“DIs”) in the UK. However, the listing was done via the use of Global Depositary Receipts (“GDRs”), which was also one of the proposed alternatives.
- The listing on the LSE could be achieved simply, with no requirement to change the structure, investment policy or corporate governance of the Fund to make it eligible for a London listing.
- Investors would be attracted via separate placements of shares facilitated by existing shareholders through accelerated placements and/or individual trades on the regular (open) market either at the same time or subsequent to the listing in London
- Following a selection process finalized in Dec-2013, the Fund Manager has selected a consortium of investment banks which assisted the Fund on the secondary listing on the LSE.

As expected, the new secondary listing plans were met with less resistance from the local regulatory body and stock market operator, as the concerns regarding potential drop in the liquidity on the local market (and thus of the fees collected by the two institutions) have been alleviated. We were and remain rather sceptical with regards to the direct impact of such an action over the trading discount of the stock. At best, the liquidity premium which comes along with the limitations of the frontier market would be diminished. Overall, we believe that the indirect effect is more important, i.e. the increase of awareness regarding the companies in the Fund’s portfolio, which has become a must in the context of the planned asset disposals needed in order to be able to finance buy-backs and return cash to shareholders. The secondary listing did not aid efforts to reduce the discount to NAV up-to-date, as expected, as liquidity was largely concentrated in the first day after the start of trading, although volumes have started to pick up slightly in June.

GDR trading details on the LSE

Date	Close	% chg	Volume (# GDRs)	Volume (# shares)	% of FP shares	% of total liquidity
19-06-15	10.8	-1.4%	342,800	17,140,000	0.16%	5.6%
18-06-15	10.9	2.3%	113,326	5,666,300	0.05%	1.9%
17-06-15	10.7	0.5%	207,173	10,358,650	0.10%	3.4%
16-06-15	10.6	-0.9%	101,296	5,064,800	0.05%	1.7%
15-06-15	10.7	-0.5%	76,330	3,816,500	0.04%	1.3%
12-06-15	10.8	-0.9%	60,385	3,019,250	0.03%	1.0%
11-06-15	10.9	-0.5%	32,684	1,634,200	0.02%	0.5%
10-06-15	10.9	0.9%	140	7,000	0.00%	0.0%
09-06-15	10.8	-0.5%	70,695	3,534,750	0.03%	1.2%
08-06-15	10.9	-0.5%	20,674	1,033,700	0.01%	0.3%
05-06-15	10.9	-2.7%	81,018	4,050,900	0.04%	1.3%
04-06-15	11.2	0.9%	29,766	1,488,300	0.01%	0.5%
03-06-15	11.1	0.9%	120,303	6,015,150	0.06%	2.4%
02-06-15	11.0	0.9%	42,274	2,113,700	0.02%	0.9%
01-06-15	10.9	-0.9%	25,366	1,268,300	0.01%	0.5%
29-05-15	11.0	0.0%	-	-	0.00%	0.0%
28-05-15	11.0	0.0%	-	-	0.00%	0.0%
27-05-15	11.0	0.0%	140	7,000	0.00%	0.0%
26-05-15	11.0	-0.9%	22,500	1,125,000	0.01%	0.5%
22-05-15	11.1	-0.9%	29,662	1,483,100	0.01%	0.6%
21-05-15	11.2	0.4%	140,000	7,000,000	0.07%	2.8%
20-05-15	11.2	0.0%	-	-	0.00%	0.0%
19-05-15	11.2	-1.3%	90,000	4,500,000	0.04%	1.8%
18-05-15	11.3	0.0%	100,000	5,000,000	0.05%	2.0%
15-05-15	11.3	0.0%	364,237	18,211,850	0.17%	7.4%
14-05-15	11.3	0.0%	-	-	0.00%	0.0%
13-05-15	11.3	-0.4%	15,000	750,000	0.01%	0.3%
12-05-15	11.4	-0.4%	40,000	2,000,000	0.02%	0.8%
11-05-15	11.4	-0.9%	10,300	515,000	0.00%	0.2%
08-05-15	11.5	0.0%	-	-	0.00%	0.0%
07-05-15	11.5	0.9%	51,700	2,585,000	0.02%	1.0%
06-05-15	11.4	0.4%	37,204	1,860,200	0.02%	0.8%
05-05-15	11.4	-1.7%	356,824	17,841,200	0.17%	7.2%
01-05-15	11.6	0.9%	69,781	3,489,050	0.03%	1.4%
30-04-15	11.5	0.0%	166,960	8,348,000	0.08%	3.4%
29-04-15	11.5		3,264,930	163,246,500	1.52%	66.0%

Source: Bloomberg

Portfolio details

We note below the most important highlights regarding the holdings in FP's portfolio up to Mar-2015:

- The number of companies declined to 53 from 58 at Mar-2014, mainly on the back of a portfolio clean-up through which the number of unlisted companies declined to 36 from 38 previously, but from 42 compared to Mar-2013. As at Mar-2015, seven companies were tagged under the bankruptcy, insolvency and dissolution category, and were valued at zero.
- The weight of the listed holdings in total portfolio declined to 45.4% from 49.1% of NAV at Dec-2014, following a huge decrease of RON481m in Petrom's valuation included in the Official NAV;
- Portfolio remained heavily tilted towards energy companies (power generators and utilities compose c 89% of the NAV);
- The valuation methodology used for the unlisted companies in order to compute the NAV has migrated almost exclusively towards "fair value" method as opposed to "book value".
- Regarding the changes in the operating environment of the companies, the ones that bear the highest impact are highlighted below:
 - The restart of the natgas market liberalisation for households, in line with a schedule approved with IMF (to unfold until 2018);
 - Increase in taxation: most important ones are (1) the taxes imposed following the gas market liberalisation, namely a 60% tax on additional revenues less investments in upstream activity (up to 30% of additional revenues) and less royalties (in force until end-2015, but likely to be extended in some form or another afterwards) and (2) a 1.0% (down from previously 1.5%) tax on special constructions as of 2014 (in total, the private and state-owned companies from the portfolio are estimated to contribute more than RON900m to the State Budget, and the impact on the Fund's share profit is c RON150m) – also in force until end-2015, but expected to be replaced by a similar measure.
 - Improvements have been achieved regarding the corporate governance of the companies, and much effort has also been put into increasing communication with the energy regulator and the implementation of the OUG 109/2011 which advocates for transparent criteria and procedures for selecting members of the decisional bodies (thus alleviating political interference).

Changes in valuation for TOP 20 stakes (ranked in order of value at Mar-15)
in RONm

#	Name	Ticker /Not listed	Value in NAV @ Mar-15	Value in NAV @ Dec-14	Value in NAV @ Mar-14	q/q change	y/y change
1	OMV Petrom	SNP	3,909	4,390	4,594	-11.0%	-14.9%
2	Hidroelectrica	Not listed	2,178	2,178	2,105	0.0%	3.5%
3	Romgaz	SNG	1,351	1,363	1,907	-0.9%	-29.2%
4	Enel Distributie Banat	Not listed	640	640	573	0.0%	11.7%
5	Enel Distributie Muntenia	Not listed	466	466	473	0.0%	-1.5%
6	GDF Suez Energy	Not listed	461	461	404	0.0%	14.1%
7	E.ON Distributie Romania	Not listed	441	441	511	0.0%	-13.5%
8	Enel Distributie Dobrogea	Not listed	397	397	379	0.0%	4.7%
9	CN Aeroporturi Bucuresti	Not listed	332	332	288	0.0%	15.5%
10	Electrica Distributie Muntenia Nord	Not listed	236	236	296	0.0%	-20.5%
11	BRD - GSG	BRD	235	222	208	5.7%	12.8%
12	Electrica Distributie Transilvania Sud	Not listed	206	206	192	0.0%	7.6%
13	Electrica Distributie Transilvania Nord	Not listed	202	202	207	0.0%	-2.5%
14	Nuclearelectrica	SNN	200	212	257	-5.7%	-22.2%
15	Banca Transilvania	TLV	158	143	112	10.1%	41.2%
16	Societatea Nationala a Sarii	Not listed	143	143	106	0.0%	34.4%
17	E.ON Energie Romania	Not listed	134	134	65	0.0%	105.6%
18	CN Admin. Porturilor Maritime	Not listed	133	133	66	0.0%	99.7%
19	Electrica Furnizare	Not listed	126	126	-	0.0%	n.m.
20	CE Oltenia	Not listed	108	108	322	0.0%	-66.3%

Source: Company data

Hidroelectrica still under insolvency, IPO postponed, but has potential to become a main driver in discount reduction efforts

Starting with 25-Feb-2014, the company has been placed under insolvency proceedings again, following a Court decision (not related to the company's financial standing), and is run by Remus Borza as judicial administrator and Gabriel Dumitrascu as special administrator. The litigations arising from the insolvency procedure that were settled through irrevocable decisions by the Court of Appeal were sent back to the first Court to be judged based on merits (which did not happen previously).

In the meantime, the administrator will continue the reorganisation plan, by 1) cutting investment expenses, 2) reducing toxic assets, 3) selling remaining micro hydro power plants, 4) building a division for trading & procurement, headed by professionals from private companies.

According to the judicial administrator, the bilateral contracts which were cancelled with the energy traders will not be re-instated, even if the claimants receive favourable Court decisions. Worst case, the company could be forced to pay damages, but these are unlikely to be as high as the ones requested by the traders (EUR350m). The administrator stated that it would also seek to prove that the cancelled contracts were at unfavourable terms for the company (EUR1bn loss in 2006-2012), and ask for damages itself.

The impact on NAV of the re-entering of Hidroelectrica in insolvency procedure was limited. The Fund manager has updated the value for its holdings in the hydropower producer at RON2.1bn on 11-Mar-2014, which is RON134.3m lower (6%) than the valuation previously available, before the Court decision. This has remained in place up to date (RON2.2bn at Mar-15). Reportedly, the decrease in the valuation was mainly due to the new legal situation of Hidroelectrica, which has resulted in a higher discount being applied for the lack of marketability (25% versus 10% used in the original valuation report prepared prior to 31-Dec-2013).

The negative news comes mainly from the delay of the IPO, which is postponed for 2016, with the company hoping to exit insolvency by that time as well (the IPO could unfold 3-4 months after the exit). The reason for the huge delay is the lengthy process of finalizing the litigations (19 remaining out of an initial 75). The Fund, however, recently stated it is analysing the possibility for Hidroelectrica to undergo an IPO while still in insolvency, keeping in mind the various setbacks associated with this endeavour.

In the meantime, Hidroelectrica has performed exceptionally well in 2014, generating a record RON3.4bn in sales (18.5 TWh electricity production), RON2.2bn EBIT and RON965m net profit, of which RON884m (remaining after deducting legal reserves) will be split between covering a RON76m loss for 2012, RON162m for other reserves, and distributing RON646m as dividends. This means FP will rake in c. RON128.9m in dividend income from its 20% stake in the company.

Valuation

**Maintain Outperform rating,
12m TP at RON1.02, 20% upside
potential**

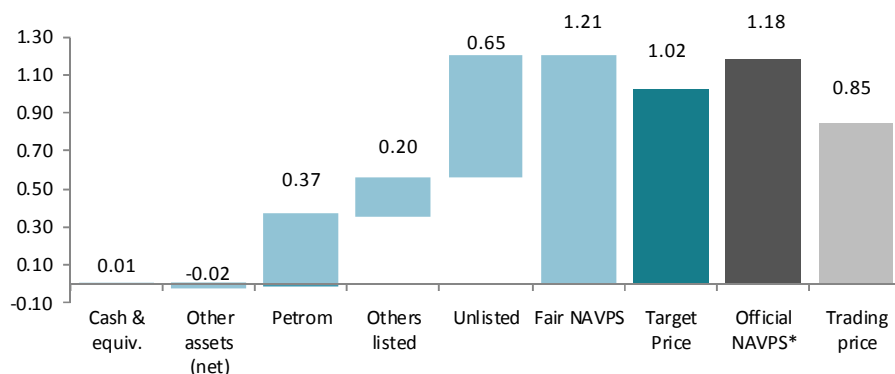
We value Fondul Proprietatea using a sum-of-the parts methodology. For the holdings in the investment portfolio, we have employed different valuation methods based on a series of factors: liquidity (listed /unlisted companies), size, industry etc. Our valuation yields a total fair NAV of RON12.9bn (EUR2.9bn), translating into a fair NAV per share of RON1.20. To this, we apply a 15% discount for conglomerates /closed-end funds, and arrive at a Target Mcap of RON11.0bn (EUR2.4bn) and a Target Price per share of RON1.02.

Summary valuation table

Holdings	RONm	EURm	% of fair NAV	per share (RON)
Listed (17)	6,109	1,361	47.4%	0.57
o/w Petrom	3,959	882	30.7%	0.37
o/w top 5 stakes	5,944	1,324	46.1%	0.56
Unlisted (36)	6,928	1,544	53.7%	0.65
Power generators	1,989	443	15.4%	0.19
Utilities	4,002	892	31.0%	0.37
Aiports	635	142	4.9%	0.06
Ports	180	40	1.4%	0.02
Others	121	27	0.9%	0.01
Total investment portfolio	13,037	2,905	101.1%	1.22
Cash & equivalents	91	20	0.7%	0.01
Other assets	409	91	3.2%	0.04
Liabilities	637	142	4.9%	0.06
Fair Net Asset Value (NAV)	12,900	2,874	100.0%	1.21
No of shares (m)	10,705			
Fair NAV/ share (RON/ EUR)	1.21	0.27		
Discount for closed-end funds	15%			
Target Mcap	10,965	2,443		
Target Price (RON/ EUR)	1.02	0.23		

Source: NBG Securities estimates

Target Price breakdown (RON /sh.)



Source: NBG Securities estimates

* at May-2015

Our valuation is sensitive to the two discounts we employ, namely a) a 20% discount, in valuing the largest unlisted companies in the portfolio (for transparency, liquidity, state ownership) and b) a 15% conglomerate /closed-end fund discount. Sensitivity outcomes are displayed below.

Target Price sensitivity (RON)

	Unlisted company discount					
Discount for conglomerates/ closed-end funds		10%	15%	20%	25%	30%
	5%	1.21	1.18	1.14	1.11	1.08
	10%	1.14	1.11	1.08	1.06	1.03
	15%	1.08	1.05	1.02	1.00	0.97
	20%	1.02	0.99	0.96	0.94	0.91
	25%	0.95	0.93	0.90	0.88	0.86

Source: NBG Securities estimates

Fondul Proprietatea held stakes in 17 listed companies from various industries (according to Mar-2015 data, last detailed NAV). The most important is the equity interest held in the oil&gas player OMV Petrom, which stands at EUR0.87bn and account for c. 65% of the listed portfolio and 31% of the total fair NAV (the largest exposure).

For valuation of listed companies, 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 going through financial restructuring or bankruptcy.

Our valuation leads to a total value of RON6.1bn (EUR1.4bn) for the Fund's stakes in listed companies, representing 47.4% of the fair NAV.

Summary valuation for listed holdings

Company (in order of weight in fair NAV)	Ticker	Sector	Last Price (RON)*	Valuation method	FP's stake	FP's stake value (RONm)	FP's stake value (EURm)	Weight in fair NAV
OMV Petrom	SNP	Oil & gas	0.37	mark-to-market	19.0%	3,959.2	882.1	30.7%
Romgaz	SNG	Gas production & distribution	35.42	mark-to-market	10.0%	1,365.2	304.2	10.6%
BRD - GSG	BRD	Banking	10.50	mark-to-market	3.6%	266.6	59.4	2.1%
Nuclearelectrica	SNN	Nuclear power generation	7.24	mark-to-market	9.1%	198.3	44.2	1.5%
Banca Transilvania	TLV	Banking	2.06	mark-to-market	2.9%	154.6	34.5	1.2%
Alro	ALR	Aluminium processing	1.20	mark-to-market	10.2%	87.5	19.5	0.7%
Conpet	COTE	Crude oil transport	71.90	mark-to-market	6.1%	37.7	8.4	0.3%
Romaero	RORX	Aircraft spare parts	13.50	mark-to-market	21.0%	17.7	3.9	0.1%
Primcom	PRIB	Food & beverages	7.00	mark-to-market	76.0%	10.0	2.2	0.1%
Alcom	ALCQ	Food & beverages	49.80	mark-to-market	71.9%	4.4	1.0	0.0%
Oil Terminal	OIL	Oil services	0.09	mark-to-market	6.3%	3.2	0.7	0.0%
Forsev	FORS	Industrials	0.73	0.5x P/B	26.5%	3.1	0.7	0.0%
Palace	PACY	Hotels	0.25	0.5x P/B	15.4%	0.6	0.1	0.0%
Comcereal Cluj	COCL	Agriculture	0.34	0.5x P/B	11.4%	0.3	0.1	0.0%
IOR	IORB	Electronic equipment	0.21	0.5x P/B	2.8%	0.2	0.1	0.0%
Mecon	MECP	Industrials	4.00	0.5x P/B	12.5%	0.1	0.0	0.0%
Romplumb	ROMR	Lead production	-	Priced at zero (company in insolvency)	33.3%	0.0	0.0	0.0%
Total Listed						6,108.7	1,361.1	47.4%

Source: BSE, Fondul Proprietatea, NBG Securities estimates

* Last close as of 04-Jun-15

Fondul Proprietatea has reduced the number of unlisted companies to 36 at end-March 2015. Based on their size, market positioning and sector, we have selected 22 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 22 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 2010-2014e average for income statement items like sales and EBITDA, 2014e book values and latest available net-debt figure (for EV);
- (2) for peers, we use global companies which operate in the respective industries, in both developed and emerging countries;
- (3) our 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 20% discount to the derived equity values in order to account for illiquidity, low transparency and state ownership.

For the remaining 16 unlisted companies (<1% 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-Mar-2015 NAV, to which we have applied a 50% discount.

All in all, our valuation leads to a total value of RON6.9bn (EUR1.5bn) for the Fund's stakes in unlisted companies, representing 53.7% of the fair NAV.

We present some information regarding the unlisted companies' financials, together with our estimates for year-end 2014 (not all financials were publicly available up to this point). The figures highlight the boost in performance for Hidroelectrica, a number of utilities, as well as selected airport and port operators. This evolution justifies the premium we grant to the unlisted portfolio in our valuation.

Financial estimates for main unlisted holdings

Company	Sales		EBITDA		Net profit		Net debt	EBITDA margin		Net margin	
	2014	2010-14 avg	2014	2010-14 avg	2014	2010-14 avg	2014	2014	2010-14 avg	2014	2010-14 avg
Power generation											
Hidroelectrica	3,083.0	3,405.6	2,008.3	2,207.1	718.8	964.8	2,214.6	65%	65%	23%	28%
CE Oltenia	4,278.3	4,111.2	543.0	361.3	4.6	-296.0	1,508.0	13%	9%	0%	n.m
Utilities											
E.ON Distributie Romania	1,562.0	1,427.0	471.0	427.0	155.0	106.0	61.1	30%	30%	10%	7%
GDF Suez Energy	4,312.5	4,448.6	615.3	603.3	470.9	352.2	-58.2	14%	14%	11%	8%
E.ON Energie Romania	4,558.6	4,624.0	228.8	153.0	224.5	134.0	224.5	5%	3%	5%	3%
EDMN+EDTS+EDTN*	0.0	0.0	0.0	769.3	0.0	0.0	0.0	n.m.	n.m.	n.m.	n.m.
ENEL Distributie Banat	625.1	584.1	335.1	309.6	190.7	169.6	-610.7	54%	53%	31%	29%
ENEL Distributie Dobrogea	509.3	472.9	248.2	224.2	133.5	110.2	-298.9	49%	47%	26%	23%
ENEL Distributie Muntenia	891.8	865.9	424.0	430.0	267.2	238.4	-1,210.5	48%	50%	30%	28%
Enel Energie Muntenia	2,174.9	1,940.6	27.0	88.5	28.1	74.9	-512.2	1%	5%	1%	4%
Electrica Furnizare	4,727.7	4,069.5	107.2	288.5	101.5	261.3	-33.1	2%	7%	2%	6%
ENEL Energie	2,260.8	1,008.6	-20.5	115.3	-39.5	110.9	-367.0	n.m	11%	n.m	11%
Aiports											
CN Aeroporturi Bucuresti	582.6	626.3	238.3	305.6	71.9	106.4	274.5	41%	49%	12%	17%
AI Mihail Kogalniceanu	12.9	16.1	0.3	2.6	-3.8	1.0	-0.8	2%	16%	n.m	6%
AI Timisoara - Traian Vuia	28.0	25.7	-13.4	5.3	-21.6	-2.9	4.3	n.m	21%	n.m	n.m
Ports											
CN Admin. Canalelor Navigabile	42.5	33.7	10.6	5.0	1.0	-4.8	-0.7	25%	15%	2%	n.m
CN Admin. Porturilor Dunarii Fluviale	14.1	7.6	2.0	-0.3	0.0	-2.3	-1.9	14%	n.m	0%	n.m
CN Admin. Porturilor Dunarii Maritime	14.7	12.3	6.4	4.1	1.4	0.8	-0.5	43%	33%	10%	7%
CN Admin. Porturilor Maritime	264.1	254.5	110.4	134.2	65.0	83.6	-83.0	42%	53%	25%	33%

Source: Company financials, NBG Securities Research, ISI

Some of the peers' valuation multiples we employed in order to obtain an Enterprise Value estimate for unlisted portfolio companies are displayed below.

Peer analysis of main unlisted holdings

	Country	P/E 14	P/E 15e	P/B 14	P/B 15e	EV/EBITDA 14	EV/EBITDA 15e	EV/Sales 14	EV/Sales 15e
Power Generators									
Hydro power									
PGE	POLAND	13.82	11.76	0.84	0.81	4.84	5.04	1.34	1.32
RusHydro	RUSSIA	5.42	6.12	0.35	0.34	4.71	4.94	1.00	1.08
Verbund	AUSTRIA	25.29	28.25	1.07	1.07	11.51	11.61	3.24	3.41
CEZ	CZECH	11.47	12.71	1.26	1.25	6.56	6.78	2.31	2.30
Enea SA	POLAND	8.17	9.69	0.59	0.57	4.77	4.59	0.90	0.87
Tauron Polska Energia	POLAND	6.76	7.53	0.45	0.43	4.20	4.23	0.82	0.81
Iberdrola SA	SPAIN	17.63	16.37	1.08	1.04	9.37	8.86	1.99	2.00
Aes Tiete Sa-Pref	BRAZIL	11.19	11.76	3.85	4.35	6.20	6.66	2.61	3.00
EDF	FRANCE	10.54	11.16	1.10	1.13	4.89	4.85	1.14	1.12
RWE	GERMANY	10.37	11.23	1.36	1.41	3.91	4.10	0.52	0.53
Average		12.07	12.66	0.90	1.24	5.50	6.17	1.40	1.64
Median		10.86	11.50	1.08	1.05	4.87	4.99	1.24	1.22
Thermal power									
PGE	POLAND	13.82	11.76	0.84	0.81	4.84	5.04	1.34	1.32
Transalta Corp	CANADA	66.22	44.33	1.42	1.33	8.66	8.66	3.52	3.43
Drax Group Plc	BRITAIN	18.11	25.80	1.12	1.04	7.78	8.14	0.72	0.62
Average		32.72	27.30	1.13	1.06	7.09	7.28	1.86	1.79
Median		18.11	25.80	1.12	1.04	7.78	8.14	1.34	1.32
Utilities									
Gas (Distribution + Supply)									
Transgaz	ROMANIA	6.20	6.80	0.96	0.90	3.42	3.54	1.66	1.66
Enagas	SPAIN	15.65	15.20	2.83	2.67	10.69	11.00	8.36	8.56
Fluxys	BELGIUM	32.70	43.60	2.43	2.57	11.53	12.06	5.10	6.05
Snam Rete Gas	ITALY	13.97	13.26	2.32	2.08	10.29	10.12	8.16	7.97

GDF Suez	FRANCE	14.60	15.27	0.86	0.86	6.74	6.73	1.03	1.06
Gas Natural	SPAIN	16.08	14.79	1.56	1.49	8.97	8.08	1.81	1.59
Centrica	BRITAIN	13.94	15.01	2.77	4.46	6.59	7.39	0.73	0.70
IREN Spa	ITALY	16.52	12.79	0.93	0.91	7.33	7.05	1.39	1.47
<i>Average</i>		<i>16.21</i>	<i>17.09</i>	<i>1.83</i>	<i>1.99</i>	<i>8.19</i>	<i>8.25</i>	<i>1.33</i>	<i>1.29</i>
<i>Median</i>		<i>15.12</i>	<i>14.90</i>	<i>1.94</i>	<i>1.78</i>	<i>8.15</i>	<i>7.73</i>	<i>1.39</i>	<i>1.47</i>
Power (Distribution + Supply)									
Transelectrica	ROMANIA	6.50	7.72	0.76	0.74	3.53	3.93	0.99	0.98
National Grid	BRITAIN	16.26	15.69	2.82	2.70	10.68	10.27	3.78	3.62
Elia	BELGIUM	14.37	16.98	1.04	1.02	10.26	14.19	5.79	5.87
EDP- Energias de Portugal	PORTUGAL	14.06	14.23	1.46	1.43	8.98	8.92	1.98	1.95
Acea	ITALY	17.04	14.37	1.92	1.77	7.28	6.77	1.55	1.57
E.On	GERMANY	15.58	16.27	0.81	0.99	4.98	5.61	0.36	0.38
Enel	ITALY	13.85	13.55	1.07	1.22	6.89	7.10	1.39	1.43
Hera HER IM	ITALY	22.94	19.83	1.56	1.45	7.47	7.09	1.40	1.34
RWE GR	GERMANY	10.35	11.22	1.36	1.41	3.91	4.10	0.52	0.53
Iride	ITALY	16.52	12.79	0.93	0.91	7.33	7.05	1.39	1.47
<i>Average</i>		<i>14.75</i>	<i>14.26</i>	<i>1.37</i>	<i>1.31</i>	<i>6.30</i>	<i>6.32</i>	<i>1.19</i>	<i>1.21</i>
<i>Median</i>		<i>14.98</i>	<i>14.30</i>	<i>1.21</i>	<i>1.41</i>	<i>7.09</i>	<i>6.91</i>	<i>1.39</i>	<i>1.38</i>
Transportation									
Airports									
Aeroports de Paris	FRANCE	28.55	25.04	2.80	2.69	12.48	11.95	5.04	4.86
Save Venezia	ITALY	24.93	22.80	3.22	3.19	14.27	12.34	5.73	5.21
Flughafen Zurich	SWITZERLAND	22.61	19.54	2.08	1.94	10.47	9.84	5.62	5.49
Flughafen Wien	AUSTRIA	20.08	18.31	1.79	1.70	8.78	8.39	3.48	3.35
Fraport	GERMANY	23.90	20.48	1.76	1.65	11.97	11.15	3.86	3.66
<i>Average</i>		<i>24.01</i>	<i>21.24</i>	<i>2.33</i>	<i>2.23</i>	<i>11.60</i>	<i>10.73</i>	<i>4.75</i>	<i>4.51</i>
<i>Median</i>		<i>23.90</i>	<i>20.48</i>	<i>2.08</i>	<i>1.94</i>	<i>11.97</i>	<i>11.15</i>	<i>5.04</i>	<i>4.86</i>
Ports									
Piraeus Port Authority	GREECE	48.13	36.67	2.32	2.24	16.03	18.94	3.82	3.93
Thessalonik Port Authority	GREECE	8.67	8.67	1.14	1.14	3.90	3.63	1.81	1.88
Luka Koper	SLOVENIA	13.05	13.05	n.a.	n.a.	7.91	7.71	2.97	2.80
<i>Average</i>		<i>23.28</i>	<i>19.46</i>	<i>1.73</i>	<i>1.69</i>	<i>9.28</i>	<i>10.09</i>	<i>2.87</i>	<i>2.87</i>
<i>Median</i>		<i>13.05</i>	<i>13.05</i>	<i>1.73</i>	<i>1.69</i>	<i>7.91</i>	<i>7.71</i>	<i>2.97</i>	<i>2.80</i>

Source: Bloomberg

Subsequently, these are the resulting figures which we used in order to assess the companies' values, and infer FP's stake values from there.

Valuation Multiples (based on NBG estimates)

Company	P/E 2014	EV/EBITDA 2014	P/B 2014	Net debt/Equity 2014
Power generation				
Hidroelectrica	13.1	5.8	0.6	13%
CE Oltenia	111.0	3.7	0.1	30%
Utilities				
E.ON Distributie Romania	13.0	4.4	1.5	5%
GDF Suez Energy	10.1	7.6	1.4	net cash
E.ON Energie Romania	10.0	10.8	4.1	44%
EDMN+EDTS+EDTN*	n.m.	n.m	n.m	n.m
ENEL Distributie Banat	10.7	4.3	0.9	net cash
ENEL Distributie Dobrogea	9.7	4.0	0.9	net cash
ENEL Distributie Muntenia	12.6	5.1	0.9	net cash
Enel Energie Muntenia	42.4	25.2	2.9	net cash
Electrica Furnizare	21.9	20.4	9.8	net cash
ENEL Energie	n.m	n.m	2.4	net cash
Aiports				
CN Aeroporturi Bucuresti	41.4	13.6	1.4	6%
AI Mihail Kogalniceanu	n.m	160.4	2.8	net cash
AI Timisoara - Traian Vuia	n.m	n.m	17.8	11%
Ports				
CN Admin. Canalelor Navigabile	73.2	7.0	0.9	net cash
CN Admin. Porturilor Dunarii Fluviale	n.m.	9.8	1.1	net cash
CN Admin. Porturilor Dunarii Maritime	18.9	4.1	2.4	net cash
CN Admin. Porturilor Maritime	12.2	6.5	2.0	net cash

Source: Company financials, NBG Securities Research, ISI

A more detailed summary of the valuation is displayed below. We gathered that Utilities reached a weight of 31% from fair NAV, due to the increased valuation of several components of this part of the portfolio. Power generators have a weight of c 15% in fair NAV, most of which belongs to Hidroelectrica, while operators of both ports and airports have a combined weight of c 6%, with the majority stemming from CN Aeroporturi Bucuresti (recent IPO candidate). All other add up to just below 1% of the fair NAV.

Summary valuation for unlisted holdings

Company	Sector	Relative valuation based on:	Estimated Mcap (RONm)	FP stake	FP stake value (RONm)	FP stake value (EURm)	Weight in fair NAV
Power generation			9,932.5		1,988.8	443.1	15.4%
Hidroelectrica	Hydro power generation	EV/ EBITDA, EV/ Sales, P/B, EV/ Capacity	9,422.9	19.9%	1,878.9	418.6	14.6%
CE Oltenia	Thermal power generation	EV/ EBITDA, EV/ Sales, P/B, EV/ Capacity	509.6	21.6%	109.8	24.5	0.9%
Utilities			23,780.5		4,002.4	891.8	31.0%
E.ON Distributie Romania	Gas distribution	EV/ EBITDA, P/B	2,008.0	18.3%	368.3	82.1	2.9%
GDF Suez Energy	Gas distribution	EV/ EBITDA, P/B	4,762.6	12.0%	571.0	127.2	4.4%
E.ON Energie Romania	Gas & power supply	P/B	2,244.1	13.4%	300.5	67.0	2.3%
EDMN+EDTS+EDTN*	Power distribution	DCF, 30% discount to 2018e RAB in TV	3,637.1	22.0%	799.9	178.2	6.2%
ENEL Distributie Banat	Power distribution	EV/EBITDA, EV/Customer	2,048.8	24.1%	494.2	110.1	3.8%
ENEL Distributie Dobrogea	Power distribution	EV/EBITDA, EV/Customer	1,298.9	24.1%	312.9	69.7	2.4%
ENEL Distributie Muntenia	Power distribution	EV/EBITDA, EV/Customer	3,372.6	12.0%	404.7	90.2	3.1%
Enel Energie Muntenia	Power distribution	EV/EBITDA	1,192.0	12.0%	143.0	31.9	1.1%
Electrica Furnizare	Power supply	EV/EBITDA	2,219.1	22.0%	488.2	108.8	3.8%
ENEL Energie	Power supply	EV/EBITDA	997.3	12.0%	119.7	26.7	0.9%
Aiports			3,176.1		635.2	141.5	4.9%
CN Aeroporturi Bucuresti	Airports	EV/ EBITDA, EV/ Sales, EV/pax	2,977.1	20.0%	595.4	132.7	4.6%
AI Mihail Kogalniceanu	Airports	EV/ EBITDA, EV/ Sales, EV/pax	51.4	20.0%	10.3	2.3	0.1%
AI Timisoara - Traian Vuia	Airports	EV/ EBITDA, EV/ Sales, EV/pax	147.5	20.0%	29.5	6.6	0.2%
Ports			919.0		180.4	40.2	1.4%
CN Admin. Canalelor Navigabile	Ports	EV/ EBITDA, EV/ Sales, P/B	74.9	20.0%	15.0	3.3	0.1%
CN Admin. Porturilor Dunarii Fluviale	Ports	EV/ EBITDA, EV/ Sales, P/B	21.4	20.0%	4.3	1.0	0.0%
CN Admin. Porturilor Dunarii Maritime	Ports	EV/ EBITDA, EV/ Sales, P/B	26.8	7.7%	2.1	0.5	0.0%
CN Admin. Porturilor Maritime	Ports	EV/ EBITDA, EV/ Sales, P/B	795.9	20.0%	159.1	35.4	1.2%
Others			285.6		121.3	27.0	0.9%
Posta Romana	Mail delivery services	0.5x P/B	111.8	25.0%	27.9	6.2	0.2%
Societatea Nationala a Sarii	Salt production	0.5x P/B	145.8	49.0%	71.4	15.9	0.6%
Salubriserv	Waste collection	0.5x P/B	-	17.5%	0.0	0.0	0.0%
Zirom	Titanium processing	0.5x P/B	19.7	100.0%	19.7	4.4	0.2%
Electroconstructia Elco Cluj	Services	0.5x P/B	4.4	7.6%	0.3	0.1	0.0%
Comsig	Retail (food)	0.5x P/B	1.1	69.9%	0.8	0.2	0.0%
Cetatea	Real estate rental	0.5x P/B	0.9	20.4%	0.2	0.0	0.0%
World Trade Hotel	Hotels	0.5x P/B	0.0	19.9%	0.0	0.0	0.0%
Carbid Fox	Chemicals	0	0	0.0%	0.0	0.0	0.0%
FECNE	Metallurgy	Priced at zero	0.0	12.1%	0.0	0.0	0.0%
Gerovital Cosmetics	Health care	Priced at zero	0.0	9.8%	0.0	0.0	0.0%
Petrotel - Lukoil	Oil products manufacturing	Priced at zero (negative equity)	0.0	1.2%	0.0	0.0	0.0%
Plafar	Health care	0.5x P/B	1.9	49.0%	0.9	0.2	0.0%
Simtex	Services	Priced at zero	0.0	30.0%	0.0	0.0	0.0%
World Trade Center Bucuresti	Services	Priced at zero	0.0	19.9%	0.0	0.0	0.0%
Bat Service	Road transport	Priced at zero	0.0	33.0%	0.0	0.0	0.0%
Total unlisted			38,093.7		6,928.1	1,543.6	53.7%

Source: Companies reports, NBG Securities estimates

Fondul Proprietatea <FP>

<Outperform, 12m TP RON1.05>

Our view:

We maintain our Outperform rating for the stock due to improved valuation of unlisted holdings, expectations of a more narrowed discount following gov't listing pipeline in the medium term, continuation of buyback programs, dedication to distributing cash to investors, as well as improved visibility (albeit not volumes yet) stemming from the secondary listing on the LSE's Specialist Fund Market (SFM). Buy-backs remain primary generators of positive sentiment towards the stock, while asset disposals performed at the right time should aid in narrowing the discount up to our and the Fund's target of 15%.

Key NAV details (in RONm)	2011	2012	2013	2014
Total Assets	14,522	15,017	15,074	13,293
Non-current assets	9,169	8,152	6,386	6,486
Financial assets	9,169	8,151	6,385	6,485
Listed	19	35	10	7
Unlisted	9,151	8,116	6,375	6,478
Others	0	0	0	0
Other non-current assets	0	0	1	1
Current assets	5,352	6,865	8,688	6,807
Receivables	55	3	3	9
Cash	2	2	6	7
ST financial investments	4,803	6,089	8,234	6,487
Listed	4,803	6,089	8,234	6,487
Unlisted	0	0	0	0
Govt securities	196	455	214	195
Bank deposits	296	317	232	109
Other current assets	0	0	0	0
Prepaid expenses	0	0	0	0
Total Liabilities	42	21	31	41
Payables	28	10	17	19
Other debts	15	11	14	22
Provisions	14	17	29	15
Equity	14,465	14,979	15,014	13,237
Share capital	13,778	13,778	13,778	11,815
Revaluation reserves	3,345	3,142	3,994	3,883
Reserves	-3,249	-2,564	-3,493	-4,157
Retained earnings	74	83	85	734
Net Profit	544	567	682	1,013

NAV figures	2011	2012	2013	2014
Net Asset Value	14,465	14,979	15,014	13,237
Shares	13,408	13,172	12,072	10,916
NAVPS	1.0788	1.1372	1.2436	1.2125

Profitability	2011	2012	2013	2014
EPS	0.0406	0.0430	0.0565	0.0928
DPS / Capital return	0.0385	0.0409	0.0500	0.0500
Dividend Yield	7.50%	7.90%	6.20%	5.88%
RoE	3.76%	3.79%	4.54%	7.65%

Valuation Method:

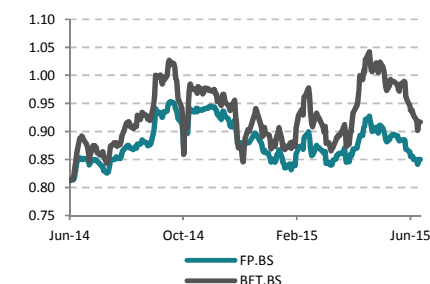
Using a sum-of-the-parts valuation model, we derive a target market cap of RON10.9bn (EUR2.4bn) and a Target Price per share of RON1.02, entailing a 21% upside potential vs. the last trading price. We employ a sum-of-the-parts valuation (with mark-to-market approach for listed stocks and relative valuation for unlisted holdings) and arrive at a fair NAV of RON12.9bn (EUR2.9bn), to which we apply a 15% discount for conglomerates /closed-end funds.

Company Profile:

Set-up as a restitution fund, FP operates as a closed-end investment fund and holds stakes in large state-owned companies and other entities, both listed and unlisted, with a tilt to the energy sector (91% of NAV, incl. utilities). Franklin Templeton is the asset manager of the Fund.

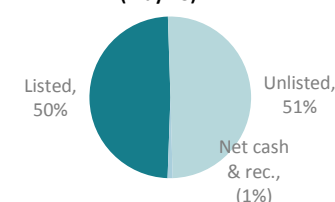
Valuation	2013	2014	2015e
P/E	11.8	7.2	10.7
P/NAVPS	0.54	0.70	0.85
NAV Disc.	46%	30%	15%

Share price performance (rebased)

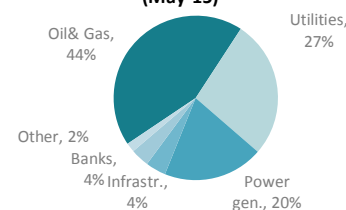


Fair NAV Breakdown	RON	%
Listed	0.57	47.4%
Unlisted	0.65	53.7%
Other assets	(0.01)	-1.1%
Total	1.20	100%

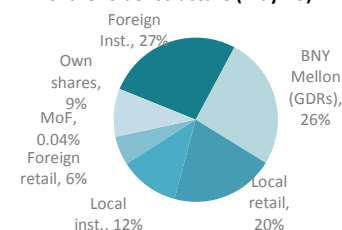
Official NAV breakdown by assets (May-15)



Official NAV breakdown by sector (May-15)



Shareholder structure (May-15)



Source: Company data, Stockground, NBG Securities Research

Appendix

DISCLAIMERS

This research report has been produced by NBG Securities S.A. ("NBGSec"), which is regulated by the Hellenic Capital Market Commission and is provided solely for informational purposes to customers of NBGSec only. This report is not directed to any person in any country in which the distribution of such report is unlawful. NBGSec will not treat recipients of this report as its customers by virtue of their receiving this report. This report is not intended for distribution to the public and may not be reproduced, redistributed or published, in whole or in part, without the prior express written permission of NBGSec and neither NBGSec nor any of its affiliates accepts any liability whatsoever for the actions of third parties in this respect.

This report provides general information only. The information and opinions contained herein constitute a judgment as at the date indicated, are subject to change without notice and NBGSec is under no obligation to update or to keep current such information and opinions. Information, opinions and statistical data contained in this report have been obtained or derived from current public information and sources believed to be reliable in good faith without having been independently verified, and no representation or warranty, express or implied, is made by NBGSec as to their accuracy, completeness or correctness and NBGSec does also not warrant that the information is up to date.

NBGSec may, to the extent permitted by law, participate or invest in financing transactions with the issuer(s) of the securities referred to in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. NBGSec may be providing or have provided significant advice or investment services in relation to the investment concerned or a related investment. NBGSec has in effect management policies to identify and confront conflicts of interest that may arise from such activities.

This report does not constitute and should not be construed as an offer to sell, or the solicitation of an offer to buy or to subscribe to, or recommendation for investment in any securities discussed herein. The information in this report is not intended as investment advice or an offer or solicitation for the purchase or sale of any financial instrument or personal recommendation and does not take into account the particular investment objectives, financial situations, or needs of individual customers. Users should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice. Nothing in this report constitutes investment, legal, accounting or tax advice and this report is not to be relied upon in substitution for obtaining independent investment advice or for the exercise of independent judgment of the merits and risks of investments.

While reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, NBGSec makes no representation that it is accurate or complete. The information contained herein is subject to change without notice.

The analysis contained in this report is based on numerous assumptions. Different assumptions could result in materially different results. This report may include forward-looking statements which, by their nature, involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. No assurances can be given that the forward-looking statements in this report will be realized. Moreover, investments in undertakings, securities or other financial instruments involve risks. The price and value of investments referred to in this research and the income from them may fluctuate. Any investments referred to herein may involve significant risk, may be illiquid and may not be suitable for all investors. Past performance is not necessarily indicative of future results, future returns are not guaranteed, and a loss of original capital may occur. Investors should make their own investigations and investment decisions without relying on this report. NBGSec, its affiliates, employees, agents, representatives and associates do not represent or imply any performance level, results or guarantee in relation to any content hereof nor do they make any claim that the use of this report will result in a particular profit or prevent any loss for a user.

NBGSec, its affiliates, employees, agents, representatives and associates may, to the extent permitted by law, have long or short positions or may otherwise be interested in any transactions or investments referred to in this report.

This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of NBGSec, NBGSec has not reviewed any such site and takes no responsibility for the content contained therein. Such address or hyperlink is provided solely for convenience reasons and information and the content of any such website does not in any way form part of this report. Accessing such website shall be at the user's own risk.

In no event shall NBGSec or any of its affiliates, employees be liable to any party for any damages including without limitation, any direct, indirect, special, punitive, incidental or consequential losses or damages (including, but not limited to, damages for loss of business profits, business interruption, or loss of savings), or any other damages arising – in any way, shape or form – out of the availability, use or reliance on this report or its contents.

DISCLOSURES

Disclosure checklist for companies mentioned & other price data information

Company Name	Bloomberg / Reuters	Rating	Price	Price date / time	Disclosure
Fondul Proprietatea	FP RO / FP.BX	Outperform	RON1.05	19 Jun 2015 / Official Close	None

Source: NBG Securities

- NBG Securities and/or its affiliate(s) acted as manager/co-manager/adviser in the underwriting or placement of securities of the subject (s) of this report within the past 12 months.
- NBG Securities and/or its affiliate(s) have received compensation for investment banking services from the subject(s) of this report during the past 12 months.
- NBG Securities and/or its affiliate(s), employees, agents, representatives and associates hold a significant financial interest in the securities of the subject(s) of this report.
- NBG Securities and/or its affiliate(s) make a market in the securities of the subject(s) of this report.
- NBG Securities and its affiliate(s) own five percent or more of the total share capital of the subject(s) of this report.
- The subject(s) of this report and its affiliate(s) own five percent or more of the total share capital of NBG Securities and its affiliates.
- NBG Securities has sent the research report to the subject(s) of this report prior to publication for factual verification.
- Following 6, NBG Securities has changed the contents of the initially sent research report, with respect to: no change.
- NBG Securities has received compensation from the subject(s) of this report for the preparation of this research report.
- NBG Securities has acted as a broker in stock options plans, share buybacks and/or own shares sales of securities of the subject(s) of this report within the past 12 months.
- NBG Securities has 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.

Date	Rating	Price	12m Target price	Date	Rating	Price	12m Target price
16 Apr 2014	Outperform	RON0.81	RON0.94	15 Sep 2014	Outperform	RON0.88	RON0.99
20 May 2014	Outperform	RON0.80	RON0.93	22 Jun 2014	Outperform	RON0.85	RON1.02

Source: NBG Securities

Risks and sensitivity:

The views and recommendations for the companies mentioned in this 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 report are sensitive to various factors including interest rates, inflation, local economic environment, market volatility, management continuity or other company specific events.

Ratings Distribution (as of today)	Outperform	Neutral	Underperform	Restricted	Not Rated	Coverage in Transition
Romanian Equity Research Coverage (14)	21%	43%	21%	0%	14%	0%
% of companies in each category that are IB clients	0%	0%	0%	0%	0%	0%

Source: NBG Securities

Definition of investment ratings

Outperform, Neutral, Underperform: Denote notional investment ratings (not recommendations) pegged to the performance of the General Index (GI), which imply a positive, neutral and negative view respectively. Outperform: The stock is expected to perform above the GI. Neutral: The stock is expected to perform in line with the GI. Underperform: The stock is expected to perform below the GI.

Restricted: The rating of the stock is restricted from disclosure owing to compliance or other regulatory/legal reasons.

Not Rated: The stock is not currently rated by NBG Securities Research.

Coverage in Transition: The rating of the stock is temporarily suspended due to changes in the research team.

Analyst certification

The following analyst 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 his compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report: Vlad Pintilie

ATHENS, GREECE

91 Michalakopoulou Street,
Athens 115 28
T: +30 210 77 20000
E: info@nbgsecurities.com

LONDON, UK

75 King William Street,
London EC4N 7BE
T: +44 207 105 3801-2
E: london@nbgsecurities.com

BUCHAREST, ROMANIA

145 Calea Victoriei, Victoria Center,
Bucharest 010072, Sector 1
T: +40 21305 1700
E: romania@nbgsecurities.com

NICOSIA, CYPRUS

15 Makariou 3rd Street
Cyprus 1095
T: +357 22460750
E: cyprus@nbgsecurities.com