

Research Report Fondul Proprietatea



January 2010

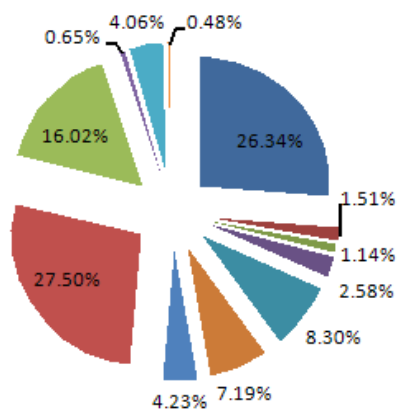


**FONDUL
PROPRIETATEA**

SUMMARY

Sector	Financial Services
Industry	Investment Services
Target Price	RON 0.7132
Current OTC trading price	RON 0.2500
Upside Potential	+185.3%
Estimated capitalization	RON 10,156.1 Million

ASSET ALLOCATION



- Petrom
- Transelectrica
- Transgaz
- Other listed companies
- Hidroelectrica
- Romgaz
- Nuclearelectrica
- Other unlisted companies
- Cash
- Government securities
- Claims
- Other assets

Fondul Proprietatea

Fondul Proprietatea (FP), one of the most important investment funds in Central and Eastern Europe, was set up by the Romanian Government to compensate persons whose properties were abusively seized by the communist regime. Due to its large size, diversified asset structure and the appointment of a new manager the fund is of high interest to both local and foreign investors. FP shares are currently traded OTC, and the fund is scheduled to be listed on the Bucharest Stock Exchange (BSE).

The valuation of each company in the Fund's portfolio by using the multiples method, using average multiples in the CEE region for each sector, results in an estimated fair value of a FP share of RON 0.7132 (EUR 0.1740), which is 185.3% higher than the price of OTC trades (currently in the RON 0.2500 - 0.3000, compared to a RON 1.000 par value). FP shares hold a significant upside potential, which depends heavily on the fund's listing on the BSE.

According to our valuation, the listing of FP would rise the capitalization of the Bucharest Stock Exchange by 13%. If Erste Bank were excluded from calculations (as the only international issuer on BSE), the listing of FP would increase the BSE capitalization by 26%.

The fund's management, currently performed by the Romanian Government, is in the process of being transferred to a foreign company with solid relevant experience. Under such circumstances and following the fund's listing, the trading price should converge towards the a fair value based on the fundamentals of a FP share.

A similar pattern has been observed in the price of shares for the five Financial Investment Companies (SIF - Societati de Investitii Financiare), another class of major Romanian closed-end funds, currently listed on the Bucharest Stock Exchange.

The fund's designated future manager is Franklin Templeton, but the signing of the contact with this manager was postponed last year until after the appointment of a new government; Franklin Templeton extended their management bid until June 2010. The signing of the contact would however result in an additional one-year delay of FP's listing (due to the procedures that need to be initiated for admission to trading), thus giving us good reason to expect the fund's listing in 2011.

Uncertainty over the exact timing of the listing explains the high difference between fair value based on fundamentals and the price of current OTC trades. In our opinion, investments in Fondul Proprietatea need to be considered on a longer term of 2-3 years or more.

Franklin Templeton Investments is an American investment company established in 1947 in New York. The company provides financial services and mainly offers mutual and pension funds. Franklin Templeton Investments employs 8,680 people and posted a net profit of in 2008 a net profit of 1.59 billion dollars. The company has subsidiaries in 29 countries and provides solutions in over 150 countries. Franklin Templeton also holds investments in Romania, which – according to company reports – stood at 15 million dollars at mid-2009.

The financial and banking sector accounts for the highest share of the current capitalization of the Bucharest Stock Exchange (BSE), whereas investment in Fondul Proprietatea shares would provide exposure on the utilities, oil and gas sectors. According to our analysis, investments in utility companies represent 46.91% of the fund's portfolio, whereas oil and gas companies account for 44.22%. In 2009 Fondul Proprietatea sold several important participations. The most recent transaction is the sale of its 17.36% stake in Centrofarm, for RON 6.83 million (EUR 1.61 Million), with the transaction generating RON 4.08 million (EUR 0.96 Million) in profits. The transaction was carried out for multiples above industry averages (a P/B multiple of 1.2). The most substantial transactions were the sale of the stakes in electricity service providers and distributors CEZ Vanzare (30% of issued shares) and CEZ Distributie (30% of shares), for which FP cashed EUR 229.5 million. The figure is 2.3 times higher than their value recorded in the fund's assets. In October FP also sold CEZ Servicii (12% of issued shares) for EUR 1.6 million, an amount almost 8 times higher than the initial investment.

Whereas for 2008, the decision on dividend distribution was conditional on the approval of the reduction of share capital (as a result of decline in the value of the listed shares portfolio), 2009, a year of positive returns on the BSE, could bring generous dividend distributions, taking into account strong profits in the first three quarters of 2009. For a profit of RON 467.7 Million in 2008 (EUR 128.1 Million), the proposed dividend distribution rate was 65%. Thus, for the profit obtained in the first three quarters and a dividend distribution rate of 65%, the gross dividend could be RON 0.045 per share, which results in a dividend yield of about 18%.

Fondul Proprietatea (FP) was set up at the end of 2005 with the purpose of ensuring the necessary financial resources for the compensation of the persons abusively expropriated during the communist regime.

About Fondul Proprietatea

Fondul Proprietatea (FP) was set up at the end of 2005 with the purpose of ensuring the necessary financial resources for the compensation of the persons abusively expropriated during the communist regime. The fund is organized as a joint stock company established according to the provisions of Law No. 247/2005, Government Decision No. 1481/2005 and Law No. 31/1990. FP is authorized to issue a maximum number of shares the value of which is equal to that of the compensations that need to be granted.

Compensated persons obtained participation in the share capital of FP based on several special laws, as follows:

- Law No. 10/2001 on the regime of buildings abusively taken over between March 6, 1945 – December 22, 1989 by the communist regime;
- The Government's Ordinance No. 94/2000 on the return of property that belonged to religious denominations in Romania;
- The Government's Ordinance No. 83/1999 on the restitution of property that belonged to the communities of Romanian national minorities;
- The Land estate Law No. 18/1991;
- Law No. 1/2000 on the restoration of property rights on agricultural and forest land.

FP shares are transferred to their rightful owners in the process of converting compensation deeds into fund shares. Such deeds are released to entitled holders according to the special laws.

Their value is established based on a report performed by an authorized independent assessor.

The functioning of FP is governed by the following regulations:

- Law No. 247/2005 on property and justice reform;
- The Government's Decision No. 1481/2005 on the establishment of Fondul Proprietatea joint stock company, having the Fund's Memorandum of Association attached;
- Law No. 297/2004 on the capital market;
- Emergency Ordinance No. 81/2007 on speeding up the

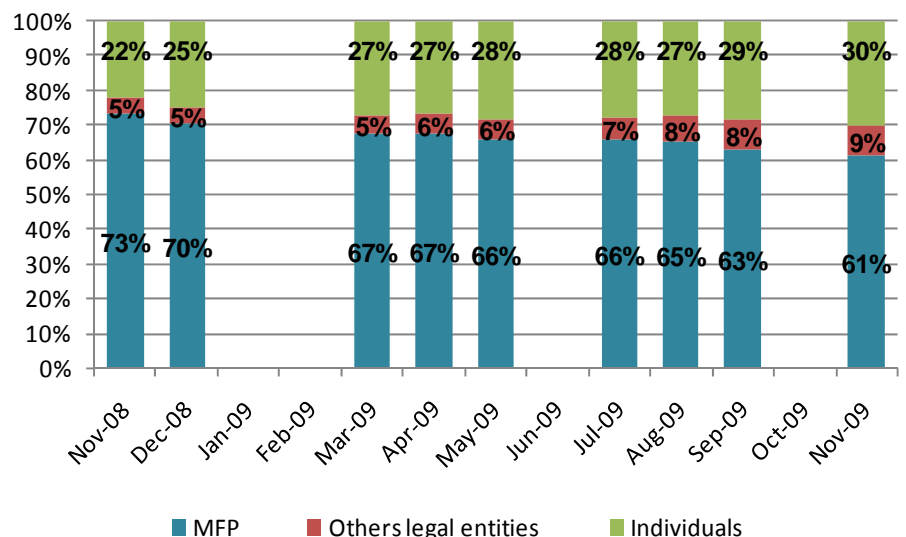
procedure for the grant of compensations due for abusively taken over buildings;

- The Government's Decision No. 1581, amending and supplementing Decision 1481 on the establishment of the issuer;
- The Government's Decision No. 959/2008 establishing the competences of the commission that will select the manager of Fondul Proprietatea;
- National Securities Commission Regulation No. 15/2004 on the authorization and functioning of investment management companies, collective investment undertakings and depositories;
- Company Law No. 31/1990.

The Ministry of Public Finance is the most important FP shareholder, with a 61.03% stake. Other companies and legal entities hold another 9.15% of the Fund's stake while individuals hold 29.82% of the FP share capital.

The fund's share capital amounts to RON 14.24 Billion (EUR 3.36 Billion), while the total number of issued shares is 14,240,540,675 with a par value of RON 1.00 each. Assets are mainly invested in stakes of companies in the portfolio of Romanian public authorities. The value of total assets may be progressively increased as certain claims of the Fund are cashed, particular if rights due to Romania (and arising from international commerce and cooperation agreements) are recovered. Assets may also be increased after the sale of several state-owned companies in which the fund has a claim and if the value of estimated compensations that need to be awarded increase.

The evolution of the shareholding structure is presented in the following chart:



FP currently is involved in a series of ongoing litigations. If these litigations will be settled in the fund's favor, the fund's assets may increase with the following amounts:

- EUR 154.1 million resulting from the transaction for the privatization of Banca Comerciala Romana (BCR). The Fund received so far EUR 88.39 million representing 4% of the amount cashed by the Romanian state for the sale of its BCR stake. According to the law, FP should receive 4% of the total number of shares issued by BCR, specifically EUR 242.49 million;
- 3% of the amounts cashed by the institutions involved in Romtelecom's privatization process from the sale of their individual stakes, until the entire participation is sold;
- 20% of the amounts resulted from the privatization of Romtelecom;
- 9.9% of the amounts resulted from the privatization of CEC Bank.

Shares carry voting rights in the Ordinary and Extraordinary Shareholders Meetings as follows:

- For a stake of up to 1% of the share capital: each share carries one vote;
- For stakes of up to 3% of the share capital: each of the first 1% of shares carries one vote, and for the 1% to 3% bracket (upper limit included) two shares carry one voting right;
- For stakes of up to 5% of the share capital: for the 1%, each share carries one vote, for the 1% to 3% bracket (upper limit included) two shares carry one voting right, and inside the 3% and 5% bracket (upper limit included), 3 shares carry one voting right;
- For stakes higher than 5% of the share capital: shares up to 1% of the stake carry one vote, for the 1% to 3% bracket (upper limit included) two shares carry one voting right, and inside the 3% and 5% bracket (upper limit included), 3 shares carry one voting right, whereas shares in the 5% plus stake carry no voting right.

The aforementioned provisions do not apply to the majority shareholder.

For the proposals of Ordinary General Shareholders' Meetings (GSM) to be validated at the first summons, shareholders representing 25% of voting rights need to be present. GSM decisions are taken with a majority of votes, whereas the revocation of Supervisory Board members requires at least a two-thirds majority of the total number of votes in order to come into effect. At the second GSM summons there is no longer need for a quorum.

A quorum of 25% of voting rights is required for the proposals of an Extraordinary GSM Meeting to be validated at the first summons, with the decisions reached on the basis of the majority voting. A quorum of minimum 20% of the voting rights is required at the second summons, with the decisions reached on the basis of the majority voting. Decisions regarding the increase of the share capital (except for statutory ones) and the reduction of the share capital, the dissolution of the FP require at least 50% of the total number of votes at both the first and the second summons. The decision to change the main activity scope, reduce or increase its share capital, change the Fund's legal form, merge, split or dissolve FP is reached with a majority of at least two thirds of the voting rights of present shareholders.

The Romanian Brokers association is about to finalize an electronic OTC platform (ROTC). This platform will be used for the trading of unlisted companies under a register contract with the Central Depository, which includes Fondul Proprietatea.

The Romanian Brokers Association is about to finalise an electronic OTC trading platform called ROTC. This platform will be used for the trading of unlisted companies under a register contract with the Central Depository, including Fondul Proprietatea. To this end, the association is working with the institutions involved (Central Depository, issuers, CNVM, the Ministry of Finance), but actual trading of FP shares on this platform depends on the Fund's consent. If such trading were to start, they would be carried out by direct negotiations of terms, a process that can be initiated based on the informative quotations introduced by brokers in the platform.

According to the Romanian companies law, a company's consent is not necessary in order to buy and sell its shares, but the company's board may establish the specific method and venue of trading.

ROTC is an ambitious, intensely controversial project that could pave the way towards the formation of a transparent market price of FP shares before listing. This trading system would facilitate share transfers, it would result in a slight increase in the number of trades, but cannot serve as a replacement for the fund's listing. The listing of the fund would broaden the range of shareholders and would introduce Romania into the top ranked emerging markets, given that by estimated market capitalization FP will be one of the most important issuers in the region.

However, the possibility of trading FP on the ROTC electronic platform would not remove any of the barriers raised either by statute or risk aversion, and which prevent particular funds or individuals to buy unlisted FP shares. Such barriers may be removed only by the fund's listing.

Just like the Fund's admission to trading on the BSE, trading on the ROTC platform remains uncertain as far as implementation deadlines are concerned.

The signing of the management contract with Franklin Templeton Investments and the fund's listing would be very important events for both the fund's current shareholders and for the image and reputation of the Romanian capital market. The listing is expected to take FP's trading price closer to the net asset value per share.

The fund's listing could also speed up the listing of other important companies in the FP portfolio. In its capacity as designated manager, Franklin Templeton declared that it would list the fund on the BSE within maximum one year after the signing of the management contract.

2009 - Event timeline

January 21, 2009 – The Commission for the Selection of the Fund's manager is composed of Enache Jiru (president); Galina Narcisa Oprea (member); Dinu Marin (member); Nicolae Cinteza (member).

January 22, 2009 – Eight bids for the management of Fondul Proprietatea were filed: Aviva Investors Global Services Limited; BlackRock; Credit Suisse & OTP; FINAG Holding GmbH; Franklin Templeton Investments; ING Invest Management; Morgan Stanley; Julius Baer.

February 12, 2009 – The selection of the Fondul Proprietatea manager was suspended for 15 working days, beginning February 12, for the enforcement of "levers for the monitoring and efficient control" of the company that will manage the assets, so as to diminish the possible negative effects on FP.

June 9, 2009 – The Commission for the Selection of the Fondul Proprietatea manager chose Franklin Templeton Investment Management as the winning bidder.

July 8, 2009 – Fondul Proprietatea requests the Ministry of Public finance, majority shareholder with 66.01% of the share capital, to fulfill its obligation to pay up 532.73 million shares, representing the equivalent of RON 532.73 million.

September 28, 2009 - Fondul Proprietatea sold its participations in CEZ Distributie and CEZ Vanzare for an aggregate of EUR 229.59 million. The profit recorded as a result of the stakes' sale is EUR 128.8 million.

September 7, 2009 – The shareholders of Fondul Proprietatea approve the bid of Franklin Templeton, but the Ministry of Finance asks that the contract be renegotiated. The government mandates the Ministry of Public finance to approve the contract with Franklin Templeton Investment, yet with the mention that particular clauses in the contract are renegotiated and referred to the Government for subsequent approval. The Finance Ministry announced the conditions required by the Government only after they cast their approval vote for the administration contract in its current form.

September 11, 2009 – The Brokers Association announces that the alternative system for the trading of Fondul Proprietatea shares (ROTC) could be launched by October; until that date CNVM shall decide if the system needs to be approved by the institution. The alternative system will also be used for the trading of other unlisted companies whose shares are registered with the Central Depository Registry.

September 27, 2009 - The Commission for the Selection of the Fondul Proprietatea manager did not begin talks with Franklin Templeton Investment for the renegotiation of the management contract as required by the Ministry of Public Finance, because the Fund's Shareholders Meeting did not approve the request. The Selection Commission was unable to start negotiations, although the deadline it had received from the Finance authority was running to end on September 28.

October 7, 2009 – The renegotiated form of the Fondul Proprietatea management contract was referred to the Government for approval, following the acceptance given by the winner of the bid - Franklin Templeton – for the changes to the contract.

October 13, 2009 – Enache Jiru, president of the commission for the selection of the Fondul Proprietatea administrator, relinquished the mandate given by the shareholders to sign the Fondul Proprietatea contract with Franklin Templeton. On September 7, 2009, FP shareholders had mandated the president of the Commission for the

selection of the fund's manager to sign the contract with Franklin Templeton.

October 21, 2009 – Mark Alan Meyer, lawyer of the Malaxa family that holds over 5% of the Fondul Proprietatea shares, is proposed for signing the management contract with Franklin Templeton; the Shareholders Meeting summoned for November 26 needs to approve the proposal.

October 27, 2009— The toppling of the Government cast a shadow of doubt on Fondul Proprietatea listing plans.

October 28, 2009—The Government approved a series of amendments to the ordinance that establishes the FP's operation, increasing the power of the Supervisory Board against the selected manager - Franklin Templeton.

October 29, 2009—The Brokers Association received the approval of the National Securities Commission to launch the ROTC electronic platform on which FP shares could be traded.

November 26, 2009—The FP Shareholders Meeting rejected the mandate given to lawyer of the Auschnit and Malaxa families Mark Meyer to sign the management contract with the American group Franklin Templeton. The signing of the contract was deferred until the appointment of a new Government.

December 8, 2009—Franklin Templeton Investments extended the final management bid until June 9, 2010, informs a company release.

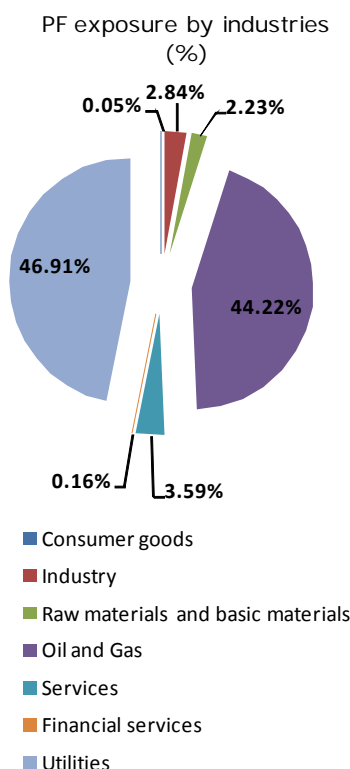
December 21, 2009—The National Securities Commission worked out a draft regulation on FP's functioning and registration with the Commission. The deadline for the submission of observations to the draft regulation is January 20 2010. The draft regulation sets a series of normative provisions in place regarding the registration of the FP with the National Securities Commission and the functioning of FP, as well as with regard to the trading of FP shares.

December 23, 2009—Ionut Popescu is the new FP managing director , after the FP Supervisory Board dismissed Daniela Lulache from office.

FP Valuation

The valuation of companies in Fondul Proprietatea's portfolio by the multiples method results in an estimation of the fair value of a FP share of RON 0.7217 (EUR 0.1700), by 189% higher than the average price of trades currently closed on the OTC market.

Each company in the portfolio was valued by using average P/E, P/B and P/S multiples for comparable companies listed on East European markets. Unlisted companies underwent additional adjustments depending on the stake held by the fund. Thus, for stakes between 20% and 100%, the adjustment coefficient was 1.0 (no adjustment); for stakes between 5% and 20%, the adjustment coefficient 0.9; for stakes of less than 5% the adjustment coefficient was 0.8. The highest stakes, specifically those in Petrom, Hidroelectrica, Romgaz and Nuclearelectrica were valued separately, as presented hereinafter in this report. 91% of the FP portfolio is represented by companies in the sectors of utilities and oil and gas respectively. The first 4 companies by the stake value represent 58% of the value of FP's stock portfolio.



Net assets/shares (RON)	
Value of listed companies	4,036,943,996
- Petrom	3,368,507,954
- Transelectrica	193,006,908
- Transgaz	145,443,883
- Other	329,985,251
Value of unlisted companies	6,039,792,869
- Hidroelectrica	1,061,739,505
- Romgaz	920,065,378
- Nuclearelectrica	540,517,491
- Other	3,517,470,494
Total value of shares in portfolio	10,076,736,865
Available cash	2,048,858,680
Government securities	83,601,000
Claims on the Romanian state for capital due	519,392,000
Other assets	60,923,000
Total assets	12,789,511,545
Liabilities	94,416,000
Net assets	12,695,095,545
Number of shares	14,240,540,675
NAV	0.8915
Target Price	0.7132

No.	Unlisted companies in the portfolio	FP stake	Company activity	Average P/E	Average P/S	Average P/B	Estimated value of holding (RON)
1	Hidroelectrica	19.94%	Production of electricity	18.61	1.00	1.07	1,061,739,505
2	Romgaz	14.99%	Extraction of hydrocarbons	18.48	1.85	1.57	920,065,378
3	Nuclearelectrica	17.64%	Production of electricity	18.61	1.00	1.07	540,517,491
4	Complexul Energetic Turceni	24.93%	Production of electricity	18.61	1.00	1.07	342,681,944
5	Distrigaz Sud	12.00%	Natural gas distribution	14.32	0.85	1.30	257,516,799
6	Enel Distributie Muntenia	12.00%	Electricity distribution	18.61	1.00	1.07	244,098,642
7	ENEL Distributie Banat	24.13%	Electricity distribution	18.61	1.00	1.07	237,988,891
8	Aeroportul International Bucuresti Baneasa -Aurel Vlaicu	20.00%	Other activities related to air transport	16.87	1.52	0.84	205,017,313
9	Electrica Distributie Muntenia Nord	22.00%	Electricity distribution	18.61	1.00	1.07	189,804,501
10	Complexul Energetic Craiova	24.98%	Production of electricity	18.61	1.00	1.07	180,928,837
11	Complexul Energetic Rovinari	23.73%	Production of electricity	18.61	1.00	1.07	170,807,556
12	ENEL Distributie Dobrogea	24.09%	Electricity distribution	18.61	1.00	1.07	152,519,325
13	Posta Romana	25.00%	National postal services	21.14	1.01	0.92	142,253,701
14	Aeroportul International Henri Coanda Bucuresti	20.00%	Other activities related to air transport	16.87	1.52	0.84	140,154,255
15	E.ON Gaz Romania	12.00%	Natural gas distribution	14.32	0.85	1.30	131,893,558
16	E.ON Moldova Distributie	22.00%	Electricity distribution	18.61	1.00	1.07	121,377,758
17	E.ON Moldova Furnizare	22.00%	Electricity comercialization	18.61	1.00	1.07	120,274,561
18	Electrica Distributie Transilvania Sud	22.00%	Electricity distribution	18.61	1.00	1.07	111,043,052
19	ENEL Energie	12.00%	Electricity distribution	18.61	1.00	1.07	106,395,276
20	Electrica Distributie Transilvania Nord	22.00%	Electricity distribution	18.61	1.00	1.07	103,520,253
21	Electrica Furnizare Transilvania Sud	22.00%	Electricity distribution	18.61	1.00	1.07	93,969,497
22	Electrica Furnizare Muntenia Nord	22.00%	Electricity distribution	18.61	1.00	1.07	85,803,986
23	Enel Energie Muntenia	12.00%	Electricity comercialization	18.61	1.00	1.07	72,770,858
24	Electrica Furnizare Transilvania Nord	22.00%	Electricity distribution	18.61	1.00	1.07	72,003,583
25	E.ON Gaz Distributie	12.00%	Natural gas distribution	18.61	1.00	1.07	56,553,536
26	Societatea Nationala a Sarii	49.00%	National salt production	16.65	0.84	0.91	42,964,077
27	CN Administratia Porturilor Maritime SA Constanta	20.00%	Other activities related to water transport	21.14	1.01	0.92	34,738,236

No.	Unlisted companies in the portfolio	FP stake	Company activity	Average P/E	Average P/S	Average P/B	Estimated value of holding (RON)
28	Petrotel -Lukoil	2.18%	Production of oil-derived prod-	20.55	1.01	1.16	22,093,769
29	Zirom	100.00%	Production of other non-ferrous metals	14.49	0.91	0.85	12,404,737
30	Uzina Mecanica Bucuresti	36.60%	Weapons and ammunition manufacturing	6.11	0.70	0.93	8,386,619
31	Electromecanica Ploiesti	49.00%	Weapons and ammunition	6.11	0.70	0.93	8,168,514
32	Laromet	6.52%	Copper metallurgy	14.49	0.91	0.85	8,005,166
33	CN Administratia Canalelor Navigabile	20.00%	Transportation on inland navigable waterways	21.14	1.01	0.92	7,404,319
34	Aeroportul International Timisoara -Traian Vuia	20.00%	Other activities related to air transport	16.87	1.52	0.84	6,648,066
35	Romplumb	51.00%	Lead, zinc and tin production	14.49	0.91	0.85	5,852,100
36	CN Administratia Porturilor Dunarii Fluviale	20.00%	Other activities related to water transport	21.14	1.01	0.92	5,125,250
37	World Trade Center Bucuresti	19.90%	Hotels	18.49	1.57	0.73	4,673,151
38	Plafar	49.00%	Tea and coffee processing	20.78	0.83	1.27	2,860,668
39	Celuloza si Otel	8.63%	Recovery of sorted recyclable materials	21.98	0.97	1.04	2,025,991
40	Aeroportul International Mihail Kogalniceanu - Constanta	20.00%	Other activities related to air transport	16.87	1.52	0.84	2,023,014
41	Salubriserv	17.49%	Sanitation, clean-up and similar activities	21.98	0.97	1.04	1,814,779
42	Zamur Targu Mures	7.07%	Sugar production	17.22	0.77	0.92	1,054,041
43	CN Administratia Porturilor Dunarii Maritime	20.00%	Other activities related to transport	21.14	1.01	0.92	801,045
44	Ciocarlaia	1.69%	Restaurants	20.99	1.01	1.04	271,441
45	Electroconstructia Elco Cluj	8.79%	Electric installation works	17.04	0.67	1.06	253,030
46	Comsig	69.95%	Renting and sub-renting of own or rented property	23.14	1.49	1.00	171,202
47	Cetatea	20.44%	Renting and sub-renting of own or rented property	23.14	1.49	1.00	159,779
48	Commetex	16.00%	Ceramics and glassware wholesale trade	21.98	0.97	1.04	112,234
49	Marlin	5.89%	Financial leasing	14.32	4.69	3.95	63,875
50	Retizoh	7.38%	Insulation and anti-corrosive protection works	16.78	0.92	1.15	16,296
51	Familial Restaurant	2.76%	Restaurants	20.99	1.01	1.04	1,410
52	Carom -Broker Asigurare	70.00%	Activities of insurance agents and brokers	16.18	0.95	1.31	0
53	World Trade Hotel	19.90%	Hotels	18.49	1.57	0.73	0
54	Gerovital Cosmetics	9.77%	Perfumes and cosmetics manufacturing	11.94	0.78	0.92	0
55	Carbid Fox	7.97%	Production of other basic inorganic chemicals	16.65	0.84	0.91	0

No.	Listed companies in the portfolio	FP stake	Company activity	Average P/E	Average P/S	Average P/B	Estimated value of holding (RON)
1	Petrom	20.11%	Crude extraction	17.87	0.71	1.06	3,368,507,954
2	Transelectrica	13.50%	Electricity transport	18.61	1.00	1.07	193,006,908
3	Transgaz	14.99%	Pipeline transport	9.61	1.19	0.62	145,443,883
4	Alro	9.93%	Aluminum metallurgy	14.49	0.91	0.85	124,819,872
5	Conpet	20.06%	Pipeline transport	14.32	0.85	1.30	80,113,504
6	Romaero	21.00%	Aircraft manufacturing	6.11	0.70	0.93	48,098,378
7	Azomures	7.69%	Fertilizers	16.65	0.84	0.91	30,899,123
8	Primcom SA	78.97%	Renting and sub-renting of own or rented property	23.14	1.49	1.00	15,348,579
9	Severnav	39.11%	Construction of vessels and water-	13.31	0.79	1.01	9,344,087
10	Oil Terminal	10.00%	Handling	21.14	1.01	0.92	6,052,076
11	Forsev	28.14%	Manufacturing of metal products obtained by plastic deformation. powder	15.81	0.74	0.99	3,120,376
12	Delfincom	65.51%	Real estate development (promotion)	11.59	0.69	1.10	2,799,843
13	Mecon SA	12.51%	Manufacturing of metal constructions and metal structure components	16.78	0.92	1.15	1,715,661
14	Petrom Aviation	3.00%	Wholesale trade of solid. liquid and gas fuels and derivatives	21.98	0.97	1.04	1,480,133
15	Alcom	71.90%	Retail sales in non-specialized stores selling mainly food. beverages and	17.59	0.76	0.87	1,272,116
16	Palace	15.43%	Hotels and other similar accommoda-	18.49	1.57	0.73	946,279
17	Bat Service	33.00%	Road commodity transports	21.14	1.01	0.92	774,392
18	Transilvania Com	40.00%	Retail sales of textiles	20.17	0.70	0.85	687,536
19	Telerom Proiect	68.63%	Architecture. engineering and related technical consultancy services	21.98	0.97	1.04	520,292
20	Mecanoenergetica	10.08%	Manufacturing of metal constructions and metal structure components	16.78	0.92	1.15	513,652
21	IOR	2.82%	Manufacturing of optical instruments and photographic equipment	5.51	1.84	1.38	409,751
22	Comcereal Cluj	11.36%	Wholesale trade in cereals. seeds and fodder	21.98	0.97	1.04	407,504
23	Prestari Servicii	70.56%	Other personal service activities	21.98	0.97	1.04	257,036
24	Comcereal Fundulea	5.35%	Mixed farming activities (crop combined with livestock breeding)	17.22	0.77	0.92	160,185
25	Turdapan	44.07%	Bread making; fresh products manu-	17.22	0.77	0.92	108,512
26	Comcereal Miercurea Ciuc	10.03%	Storage	15.81	0.74	0.99	63,567
27	Resib	2.88%	Renting and sub-renting of own or rented property	23.14	1.49	1.00	40,234
28	Vitacom	46.91%	Retail trade in fresh fruit and vegetables	17.59	0.76	0.87	32,562

Petrom

Petrom is an integrated oil and natural gas company that operates in several different areas of activity. The Exploitation & Production Division is responsible for the exploitation, discovery and extraction of oil and natural gas in Romania and other countries in the region, specifically Russia and Kazakhstan. The company is the largest oil and gas producer in South-Eastern Europe, and the only domestic crude producer, also contributing significantly to the country's total gas production. The Division of exploitation and production services ensures well interventions, drilling works, maintenance of equipment and electrical/mechanical plant and logistics, providing integrated solutions for transport services.

The Refinery Division comprises the activity of two refineries: Arpechim and Petrobrazi, which are connected to a vast pipeline infrastructure that allows the transport of indigenous crude from Petrom oil wells, and the shipping of crude imported through the Black Sea maritime terminal in Constanta. On this segment, Petrom boasts the performance of being the largest crude process operator in Romania. The marketing division runs a nationwide network of distribution stations and specialized sales channels, Petrom being in this activity area too domestic market leader by retail sales. The Natural gas, energy and chemical products Division markets natural gas supplied by both the Exploration and production Division and by foreign suppliers, carries out projects related to various types of energy from conventional and renewable sources and produces, through the Doljchim unit, chemical fertilizers and methanol for both the domestic market and export (this is actually the only producer of chemical fertilizers in the country south-west).

Fondul Proprietatea stake: 20.11% of the company

Industry multiples (Eastern Europe)	Average P/E	Average P/B	Average P/S	Average P/EBITDA
	18.48	1.57	1.85	6.75
Value of FP holding based on each multiple (RON)	1,005,707,057	4,590,019,816	5,556,135,136	2,322,169,808
Equally weighted average value (RON)				3,368,507,954
Consensus Target Price (RON/share)				0.3250
Number of Petrom shares				56,644,108,335
Consensus based value (RON)				3,702,117,311

Income Statement (figures in RON)	2006	2007	2008	Nine months 2008	Nine months 2009
Total income	13,933,034,987	12,963,243,688	19,331,386,617	15,080,492,378	10,683,547,779
Turnover	13,078,308,815	12,284,378,408	16,750,726,457	13,006,819,663	9,455,825,788
Operating profit	2,777,388,289	1,964,598,430	1,309,233,231	2,509,412,384	1,159,771,845
Depreciation	818,802,457	1,146,101,922	2,256,092,738	1,720,114,643	1,215,146,054
EBITDA	3,596,190,746	3,110,700,352	3,565,325,969	4,229,527,027	2,374,917,899
Net profit	2,285,490,203	1,778,042,301	1,022,387,463	2,290,418,528	1,538,649,551
<i>Net margin</i>	<i>16.40%</i>	<i>13.72%</i>	<i>5.29%</i>	<i>15.19%</i>	<i>14.40%</i>
<i>EBIT margin</i>	<i>19.93%</i>	<i>15.16%</i>	<i>6.77%</i>	<i>16.64%</i>	<i>10.86%</i>
<i>EBITDA margin</i>	<i>25.81%</i>	<i>24.00%</i>	<i>18.44%</i>	<i>28.05%</i>	<i>22.23%</i>
Balance Sheet (figures in RON)	2006	2007	2008	Nine months 2008	Nine months 2009
Current assets	13,092,904,752	16,374,829,978	19,806,471,218	18,460,519,415	21,798,008,473
Accrued expenses	6,276,870,106	4,690,827,457	5,084,109,292	4,844,618,699	4,602,894,929
Prepaid expenses	89,716,940	95,376,124	36,865,667	45,082,016	83,065,397
Total assets	19,459,491,798	21,161,033,559	24,927,446,177	23,350,220,130	26,483,968,799
Revenues collected in advance	101,676,497	171,453,281	146,258,559	123,209,864	98,377,007
Provisions	4,753,739,904	5,196,454,236	6,262,466,399	5,249,673,836	5,832,096,577
Current liabilities	2,257,229,755	2,580,025,427	3,446,027,370	3,639,260,524	2,707,358,002
Non-current liabilities	22,141,012	28,962,010	1,504,095,402	17,818,831	3,308,198,373
Total liabilities	2,279,370,767	2,608,987,437	4,950,122,772	3,657,079,355	6,015,556,375
Equity	12,324,704,630	13,164,118,605	13,568,598,447	14,320,257,075	14,537,938,840
Total liabilities+equity	19,459,491,798	21,141,013,559	24,927,446,177	23,350,220,130	26,483,968,799
Number of employed	37,649	37,650	37,651	37,652	37,653
<i>Indebtedness rate</i>	<i>11.71%</i>	<i>12.34%</i>	<i>19.86%</i>	<i>15.66%</i>	<i>22.71%</i>
<i>Long term indebtedness rate</i>	<i>0.11%</i>	<i>0.14%</i>	<i>6.03%</i>	<i>0.08%</i>	<i>12.49%</i>

Hidroelectrica

Hidroelectrica is a 100% state-owned company whose main activity is the production of electricity and the supply of system technological services from hydro-power resources. Hidroelectrica has 275 hydropower plants under administration and pumping stations with an installed capacity of 6,374.37 MW/hour. With its production hitting in a medium hydrological year 17,330 Gwh (1 Gwh: 1.000 MW) generated by 12 subsidiaries strategically located on the country's regions, Hidroelectrica supplies up to 30% of the country's total electricity production, whereas the volume of its system services represents approximately 90% of the necessary of the National Energy System.

In 2008, by the type of used primary energy, hydropower accounted for 26.41% of the total energy production, with energy from coal resources ranking first by quantity, with a share of 42.50% of the total, followed by nuclear energy with a share of 17.33% of the total, hydrocarbon energy with a share of 13.74% of the total, and wind energy, accounting for just 0.02%.

As much as 99.42% of the nationwide produced hydro energy was generated by the hydropower plants under Hidroelectrica's administration. 6.84% of the electricity produced nationwide was exported. The hydropower potential usage rate currently stands at 53.83%, but Hidroelectrica plans to rise it to 64.78%.

Hidroelectrica is the cheapest local energy producer, and underwent in time several reorganization attempts, which however did not end in concrete results. The reorganization of the energy production system proposed at first the setting up of two national energy giants, which meant the splitting of Hidroelectrica. At this moment, this project does not enjoy political backing and remains in planning stages. Another idea was that of establishing a single national energy company, but this was not finished either. Hidroelectrica plans investments worth EUR 1.9 billion by 2025.

Fondul Proprietatea stake: 19,94% of the company

Industry multiples (Eastern Europe)	Average P/E	Average P/B	Average P/S	Average P/EBITDA
	19.08	1.39	1.18	7.82
Value of FP holding (RON, unadjusted)	247,745,160	3,866,793,093	627,402,757	1,325,141,879
Equally weighted average value of holding (RON, unadjusted)				1,516,770,722
Value of holdings (RON, adjusted unlisted status)				1,061,739,505

Income statement (figures in RON)	2006	2007	2008
Total income	2,538,793,310	2,130,338,752	2,666,485,715
Turnover	2,365,834,204	2,060,741,476	2,443,547,786
Operating profit	72,064,084	142,661,393	206,593,158
Depreciation	713,553,145	674,774,377	643,233,739
EBITDA	785,617,229	817,435,770	849,826,897
Net profit	56,006,887	52,582,231	65,118,090
<i>Net margin</i>	<i>2.21%</i>	<i>2.47%</i>	<i>2.44%</i>
<i>EBIT margin</i>	<i>2.84%</i>	<i>6.70%</i>	<i>7.75%</i>
<i>EBITDA margin</i>	<i>30.94%</i>	<i>38.37%</i>	<i>31.87%</i>
Balance sheet (figures in RON)	2006	2007	2008
Current assets	18,518,887,471	18,921,839,388	19,337,857,550
Accrued expenses	630,345,572	540,232,366	608,319,046
Prepaid expenses	1,427,908	9,893,610	776,911
Total assets	19,150,660,951	19,471,965,364	19,946,953,507
Revenues collected in advance	264,824,853	252,717,187	224,924,567
Provisions	378,106	5,784,337	36,606,664
Current liabilities	1,025,810,170	1,210,446,300	1,708,108,702
Non-current liabilities	4,076,083,227	4,111,914,071	4,026,132,358
Total liabilities	5,101,893,397	5,322,360,371	5,734,241,060
Equity	13,783,564,595	13,891,103,469	13,951,181,216
Total liabilities+equity	19,150,660,951	19,471,965,364	19,946,953,507
Number of employed	5,095	5,179	5,222
<i>Indebtedness rate</i>	<i>26.64%</i>	<i>27.33%</i>	<i>28.75%</i>
<i>Long term indebtedness rate</i>	<i>21.28%</i>	<i>21.12%</i>	<i>20.18%</i>

Romgaz

Romgaz is one of the most important state-owned companies and holds about half of Romania's current gas reserves.

The main activity of Romgaz is the extraction of hydrocarbons (specifically, of natural gas). Other secondary activities performed by Romgaz are: underground storage of natural gas; geological research for the discovery of oil reserves (natural gas, crude and condensate); commissioning, interventions, capital repairs with the wells that equip the deposits, as well as with the natural gas extraction wells, for its own and third party activities. Romgaz is organized in six subsidiaries: Production Subsidiary Medias; Production Subsidiary Tg. Mures; the Underground Natural gas Storage Subsidiary Ploiesti; the Wells Interventions, Capital Repair and Special Operations Medias; the Technological and Maintenance Subsidiary Tg. Mures; the Bratislava Subsidiary.

Romgaz holds: Over 3,600 production wells of which 252 service the underground natural gas storage activity; 20 compressor stations with an installed capacity of 160,000 kW; 6 underground natural gas storage facilities with an actual working capacity of 2,565 million cm/cycle; 37 natural gas drying stations for the production segment and 8 drying stations that equip the storage facilities; 1,970 km of supply pipelines and 1,497 km of collecting pipelines; 460 technological well groups; 30 separation and residual water separation stations; 125 residual water injection wells.

Most of the Romgaz natural gas deposits, and especially large-sized ones, are mature, having a 25 – 30 year duration of exploitation.

Fondul Proprietatea stake: 14,99% of the company

Industry multiples (Eastern Europe)	Average P/E	Average P/B	Average P/S	Average P/EBITDA
	19,08	1,39	1,18	7,82
Value of FP holding (RON, unadjusted)	247,745,160	3,866,793,093	627,402,757	1,325,141,879
Equally weighted average value (RON, unadjusted)				1,516,770,722
Value of holding (adjusted unlisted status)				1,061,739,505

Income Statement (figures in RON)	2006	2007	2008
Total income	3,336,524,897	3,678,159,390	3,903,506,331
Turnover	3,053,480,364	3,271,662,202	3,280,213,477
Operating profit	-	760,083,472	719,190,372
Depreciation	-	301,331,692	342,746,767
EBITDA	-	1,061,415,164	1,061,937,139
Net profit	463,730,191	509,555,387	537,297,196
<i>Net margin</i>	<i>13.90%</i>	<i>13.85%</i>	<i>13.76%</i>
<i>EBIT margin</i>	-	<i>20.66%</i>	<i>18.42%</i>
<i>EBITDA margin</i>	-	<i>28.86%</i>	<i>27.20%</i>
Balance sheet (figures in RON)	2006	2007	2008
Current assets	2,822,797,912	3,195,762,625	5,177,977,886
Accrued expenses	1,877,552,099	2,410,408,371	3,077,944,329
Prepaid expenses	-	1,556,401	3,516,402
Total assets	4,700,350,011*	5,607,727,397	8,259,438,617
Revenues collected in advance	-	4,555,653	4,242,083
Provisions	145,029,796	185,818,753	252,065,271
Current liabilities	-	327,405,195	401,572,600
Non-current liabilities	-	19,112,617	16,992,308
Total liabilities	384,374,974	346,517,812	418,564,908
Equity	685,302,536	5,070,835,179	7,584,566,355
Total liabilities+equity	4,700,350,011*	5,607,727,397	8,259,438,617
Number of employed	5,585	5,635	5,661
<i>Indebtedness rate</i>	<i>8.18%</i>	<i>6.18%</i>	<i>5.07%</i>
<i>Long term indebtedness rate</i>	-	<i>0.34%</i>	<i>0.21%</i>

*Intercapital Invest estimations

Nuclearelectrica

National Company Nuclearelectrica (SNN) produces electricity and heat through the process of nuclear fission and the manufacturing of nuclear fuel. SNN SA is located in Bucharest and coordinates the activity of two subsidiaries: The CNE Cernavoda Subsidiary, which is responsible for the exploitation of Units 1 and 2 of the Cernavoda nuclear power plant and the Nuclear Fuel Plant (FCN) in Pitesti, which is the qualified producer of CANDU 6 nuclear fuel fascicles. The annual electricity production of Cernavoda CNE Units 1 and 2 represents about 18% of Romania's total production of electricity.

A Project Company was set up for the construction of Units 3 and 4, to be organized in a partnership between the Romanian state – through Nuclearelectrica – and private investors. The six investors who submitted bids and were selected are as follows: Arcelor Mittal Romania, which will hold 6.2% of the stake of the future company; CEZ Group of the Czech Republic – 9.15%; ENEL Italy – 9.15%; GDF Suez – 9.15%, Iberdrola Spain – 6.2% and RWE Germany – 9.15%, whereas the Romanian state will hold the 51% of the stake. Following several negotiation stages in 2008, the constitutive documents (the Investment Agreement and the Memorandum of Association) of the new company called S.C. EnergoNuclear SA were signed on November 20, 2008; the company will be responsible for building, commissioning and operation of the CNE Cernavoda Units 3 and 4.

Fondul Proprietatea stake: 17.64% of the company

Industry multiples (Eastern Europe)	Average P/E	Average P/B	Average P/S	Average P/EBITDA
	19.08	1.39	1.18	7.82
Value of FP holding (RON, unadjusted)	346,802,227	1,691,116,895	332,164,035	718,588,223
Equally weighted average value (RON, unadjusted)				772,167,845
Value of holding (RON, adjusted for unlisted status)				540,517,491

Income Statement (figures in RON)	2006	2007	2008
Total income	1,017,607,138	1,106,341,895	1,595,776,330
Turnover	664,242,578	909,595,860	1,451,932,867
Operating profit	88,918,658	187,627,255	270,631,650*
Depreciation	174,861,900	209,204,968	250,292,824*
EBITDA	263,780,558	396,832,223	520,924,474*
Net profit	64,338,265	88,674,867	103,039,781
<i>Net margin</i>	<i>6.32%</i>	<i>8.02%</i>	<i>6.46%</i>
<i>EBIT margin</i>	<i>8.74%</i>	<i>16.96%</i>	<i>16.96%</i>
<i>EBITDA margin</i>	<i>25.92%</i>	<i>35.87%</i>	<i>32.64%</i>
Balance sheet (figures in RON)	2006	2007	2008
Current assets	7,840,783,590	7,761,784,459	8,148,955,712
Accrued expenses	404,861,669	1,082,212,539	1,470,549,151
Prepaid expenses	1,160,872	6,605,508	6,601,967
Total assets	8,246,806,131	8,850,602,506	9,626,106,830
Revenues collected in advance	600,242	463,554	346,013
Provisions	1,297,178,943	18,686,114	21,286,320
Current liabilities	515,139,540	418,636,767	-
Non-current liabilities	2,243,130,430	2,426,745,998	-
Total liabilities	2,758,269,970	2,845,382,765	2,707,474,160
Equity	4,190,756,976	5,986,070,073	6,897,000,337
Total liabilities+equity	8,246,806,131	8,850,602,506	9,626,106,830
Number of employed	2.331	2.293	2.199
<i>Indebtedness rate</i>	<i>33.45%</i>	<i>32.15%</i>	<i>28.13%</i>
<i>Long term indebtedness rate</i>	<i>27.20%</i>	<i>27.42%</i>	-

*Intercapital Invest estimations

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