

21 June 2012



## Fondul Proprietatea

FONDUL  
PROPRIETATEA



This material is intended solely for the recipient and should not be reproduced, copied or re-transmitted. Not intended for public use.

## Disclaimer

This presentation is made solely to the intended recipient and should not be distributed to, or acted upon by, any other person. It is for general information only and reflects the personal views of the presenter. Nothing herein is intended to constitute advice on investment, legal or tax matters, nor is it an offering or an invitation to buy or sell shares in SC Fondul Proprietatea SA ("the Fund") or in any other issuer of securities mentioned herein. Any person considering an investment in the Fund or any other security mentioned herein should refer to the relevant issuer's prospectus and consult their own legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of an investment in the securities. The Fund's prospectus contains important information on the potential risks involved in such an investment which are not included in this presentation.

The distribution of this presentation in certain jurisdictions may be restricted by law and persons who come into possession of it are required to inform themselves about and to observe such restrictions and limitations. Neither the Fund nor its Fund Manager accepts any liability to any person in relation to the distribution or possession of the presentation in or from any jurisdiction. The shares issued by the Fund and those issued by the Company have not been and will not be registered under the US Securities Act of 1933, as amended, or with any securities authority of any state or territory within the jurisdiction of the United States of America. These shares may not be offered, sold or delivered in the United States of America or to American citizens or nationals.

The information contained in this presentation is as of its date, unless otherwise indicated, and is not a complete analysis of every material fact regarding the market, and any industry sector, security, or portfolio. Statements of fact cited by the manager have been obtained from sources considered reliable but no representation is made as to the completeness or accuracy. Furthermore, no responsibility is accepted for updating any facts or assumptions in this document. Because market and economic conditions are subject to rapid change, opinions provided are valid only as of the date of the materials. Any forward-looking statements are based upon certain assumptions; actual events are difficult to predict and are beyond the control of the author, therefore actual events may differ from those assumed. References to particular securities are only for the limited purpose of illustrating general market or economic conditions, and are not recommendations to buy or sell a security or an indication of the author's or any managed account's holdings. The manager's opinions are intended solely to provide insight into how the manager analyses securities and are not a recommendation or individual investment advice for any particular security, strategy or investment product.

The price of shares and income from them can go down as well as up and you may lose some or all of your capital invested. The previous results of the fund/investment firm do not account for future performances. Currency fluctuations will affect the value of foreign investments. All investments are subject to certain risks. Generally, investments offering the potential for higher returns are accompanied by a higher degree of risk. Stocks and other equities representing an ownership interest in a corporation have historically outperformed other asset classes over the long term but tend to fluctuate more dramatically over the shorter term. Small or relatively new companies can be particularly sensitive to changing economic conditions due to factors such as relatively small revenues, limited product lines, and small market share. Smaller company stocks have historically exhibited greater price volatility than larger company stocks, particularly over the short term. The significant growth potential offered by Emerging Markets remains accompanied by heightened risks when compared to developed markets, including risks related to market and currency volatility, adverse social and political developments, and the relatively small size and lesser liquidity of these markets.

Read the issue prospectus before investing in this fund/investment firm. The Fund's prospectus and amendments are available at [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro). The headquarters of SC Fondul Proprietatea SA are at 78-80 Buzesti Str, 7th Floor, Bucharest District 1, 011017, Romania. Fondul Proprietatea's Fiscal Identification Code (CIF) is 18253260 and Trade Registry registration no is J40/21901/2005. The subscribed share capital is RON 13,778,392,208 and paid share capital is RON 13,412,780,166. This presentation is issued by Franklin Templeton Investment Management Limited ("FTIML"), registered with CNVM under no. PJM05SSAM/400001/14.09.2009, which is authorized and regulated in the UK by the Financial Services Authority with Register Number 121779, registered as a foreign equivalent of an investment adviser with the US Securities Exchange Commission, and the Romanian branch is regulated by the Romanian National Securities Commission.

Date: June 2012

**FONDUL**  
**PROPRIETATEA**



## Hidroelectrica – Insolvency request admitted by the Court

- On 15 June 2012 Hidroelectrica filled a request for insolvency with the Bucharest Court
- The Fund Manager acknowledged on 18 June 2012 from the Romanian Courts Website Portal, Hidroelectrica's request to file for insolvency, in light of the company's financial situation related to short-term liquidity issues
- According to a statement released on the company's website, the request for insolvency is due to:
  - The 10% reduction of the company's turnover in 2011, because of the drought registered in Romania in 2011 and in the beginning of 2012;
  - The losses from foreign exchange differences and the RON depreciation registered last year;
  - The reduction by more than 27% of the cash flows in 2012;
  - The increase of the outstanding debts (> 90 days period) to RON 470 mil (aprox. EUR 105.3 mil);
  - The loss in 2011 on the financial operations (RON 121 mil, aprox. EUR 27 mil) and 2012 (RON 112 mil, aprox. EUR 25 mil).
- The insolvency request was admitted by the Bucharest Court on 20 June 2012
- The Court appointed EURO INSOLV SPRL as interim judicial administrator
- The Creditors' meeting was set for 29 August 2012
- The next Court hearing was set for 12 December 2012 where the judicial administrator will present the measures undertaken

## Hidroelectrica – Selected Financial Information

Indicator	2009 (Lei mn)	2010 (Lei mn)	2011 (Lei mn)
Fixed assets	22,601.97	19,667.19	20,339.08
Current assets, out of which:	387.30	476.47	611.86
Cash and current account	28.14	99.89	77.15
Total assets	22,989.89	20,144.46	20,962.32
Equity, out of which:	16,627.95	16,822.35	16,529.01
State patrimony	73.36	73.36	39.21
Long term liabilities, out of which:	4,385.01	1,280.02	1,507.59
Long term financial debt	804.00	1,200.33	1,418.92
Current liabilities, out of which:	1,795.64	1,728.95	2,639.16
Short term financial debt	677.01	701.06	1,099.02
Turnover	2,420.80	3,273.70	3,020.59
Operational expenses	2,304.23	2,784.28	2,885.89
Operational profit/loss	161.96	502.78	161.16
EBITDA	789.51	1,349.89	873.58
Interest expenses	69.13	85.42	102.93
Net Profit/ loss	48.38	292.37	6.44
Average staff number	5,233	5,227	5,218

Source: Company reports

**FONDUL**  
PROPRIETATEA

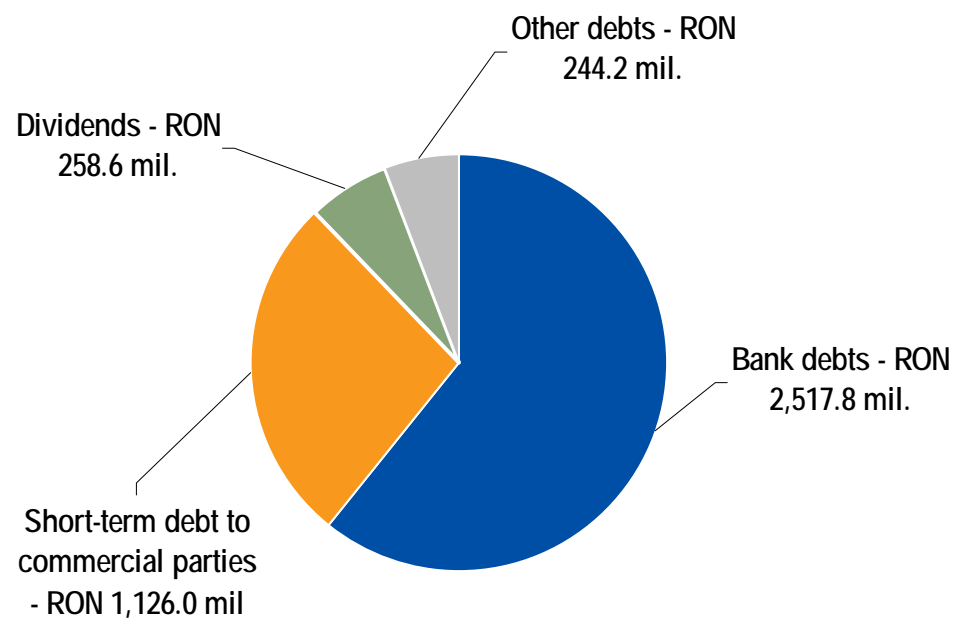


This material is intended solely for the recipient and should not be reproduced, copied or re-transmitted. Not intended for public use.

## Hidroelectrica – Main creditors as at 31.12.2011\*

Dividends	RON mil.
Fondul Proprietatea	52.4
MECMA	206.2

Bank debts	RON mil.
BRD Groupe Societe Generale	393.9
ING Bank	359.1
UniCredit	306.2
Citi / Citibank Europe	283.3
IBRD	217.5
BCR	187.8
RBS Bank	124.5
EFG	89.7
Banca Transilvania	94.1
Alpha Bank	80.0
Libra Bank	13.2
UBS	7.7
EBRD	7.6



Short-term debt to commercial parties	RON mil.
Apele Române (water tariffs)	209.2
SOEs	172.1
OMV Petrom	21.2
Suppliers of fixed assets	519.2
Others	204.1

**FONDUL**  
PROPRIETATEA

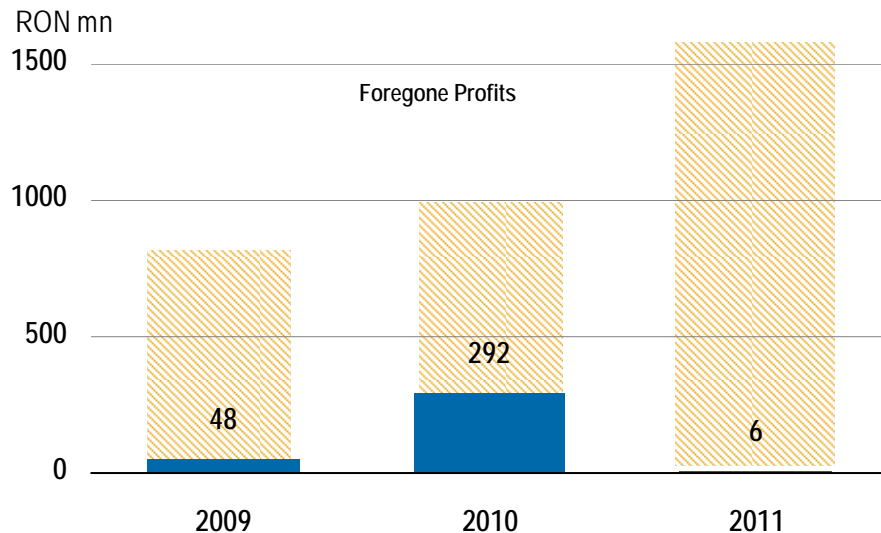


Source: 2011 financial statements

This material is intended solely for the recipient and should not be reproduced, copied or re-transmitted. Not intended for public use.

# Hidroelectrica–Foregone Profits

## Hidroelectrica Net Income<sup>1</sup>



## OPCOM Market Prices<sup>2</sup>

Year	Average Price (lei / MWh)
2009	155.35
2010	156.31
2011	221.23

- In 2009, Hidroelectrica sold 11.7 TWh through bilateral contracts at an average selling price of 102 lei/MWh = **foregone profits of EUR 133 mn (RON 559 mn)**
- In 2009, Hidroelectrica sold 3.4 TWh on the regulated market at an average price of 83 lei/MWh = **foregone profits of EUR 61 mn (RON 256 mn)**
- In 2010, Hidroelectrica sold 14.9 TWh through bilateral contracts at an average selling price of 122 lei/MWh = **foregone profits of EUR 100 mn (RON 420 mn)**
- In 2010, Hidroelectrica sold 4 TWh on the regulated market at an average price of 86 lei/MWh = **foregone profits of EUR 62 mn (RON 260 mn)**
- In 2011, Hidroelectrica sold 12 TWh through bilateral contracts at an average selling price of 130.9 lei/MWh = **foregone profits of EUR 248 mn (RON 1,066 mn)**
- In 2011, Hidroelectrica sold 3.8 TWh on the regulated market at an average price of 86 lei/MWh = **foregone profits of EUR 118 mn (RON 507 MN)**

Assumed selling price of 150 lei/MWh for 2009 and 2010 and 220 lei/MWh in 2011. 1 euro=4.2 lei for 2009 and 2010 and 1euro=4.3 lei for 2011

1. Source: Company Reports.

2. Source: OPCOM Annual Reports.

This material is intended solely for the recipient and should not be reproduced, copied or re-transmitted. Not intended for public use.

**FONDUL**  
PROPRIETATEA



# Insolvency Law no. 85/2006 – Main Provisions (I)

## Participants in the Insolvency Procedure

- **The syndic judge**
  - issues the decision for opening the insolvency proceedings;
  - judges the contestations filed during the progress of the proceedings;
  - appoints the temporary judicial administrator, until the appointment of the permanent judicial administrator by the Creditors' Meeting;
  - if necessary, cancels the company's right to conduct its activities;
  - removes the judicial administrator when requested.
  
- **The judicial administrator – appointed by the Creditors' Meeting**
  - fulfills the actions related to the insolvency proceedings;
  - manages the company after the right to conduct activities is cancelled;
  - produces the final reorganization plan of the company's activity;
  - supervises the operations for the administration of the company's assets;
  - brings to court actions for the cancellation of any fraudulent acts concluded by the company to the prejudice of the creditors' rights;
  - preserves or denounces contracts concluded by the debtor;
  - verifies the claims and, whenever necessary, formulates objections to them, and draws up the claim records.
  
- **The special administrator - appointed by the general meeting of the debtor's shareholders**
  - represents the company's interests;
  - may propose the reorganization plan on behalf of the company;
  - may file contestations and manage the debtor's activity;
  - manages the activity of the company after the confirmation of the reorganization plan;
  - its duties can be reduced after the debtor's right to conduct activities is cancelled.

# Insolvency Law no. 85/2006 – Main Provisions (II)

## Participants in the Insolvency Procedure

- **The Creditors' Meeting**
  - Appoints the judicial administrator and sets its remuneration;
  - sets the Creditors' Committee;
  - approves the reorganisation plan.
  
- **Creditors' Committee (3 or 5 members elected by the Creditors' Meeting from the creditors)**
  - drafts its own reports proposing measures required to be taken during the progress of the proceedings etc.;
  - may request the annulment of certain transfers made by the company against the creditor's interests.



# Insolvency Law no. 85/2006 – Main Provisions (III)

## Proposal of a reorganization plan

The reorganization plan may be proposed:

- (i) by the debtor
- (ii) by the judicial administrator or
- (iii) by the company's creditors which hold together at least 20% of the total value of receivables

The reorganization plan must be voted by the Creditors' Meeting and then confirmed by the syndic judge. After the plan has been confirmed, the debtor's activity shall be organized in accordance with the plan. The creditors' receivables and rights may be amended as provided by the plan.

## Closing the insolvency procedure

The procedure can be closed at any moment during the insolvency procedure should the company pay its outstanding debts or if the debtors agree for the company to be taken out of insolvency.

# Insolvency Law no. 85/2006 – Advantages / Disadvantages

## Advantages of the Insolvency Procedure

- suspension of the judicial and extrajudicial proceedings to recover the receivables from the debtor or by selling its assets;
- suspension of delay interests, penalties and interest for unsecured receivables;
- termination of existing contractual agreements;
- termination of employment agreements without following the collective dismissal procedure;
- initiation of court actions by the debtor without paying court fees;
- reorganization plan proposed by the company to improve cash flow.

## Disadvantages / Risks of the Insolvency Procedure

- limited powers to run the company if debtor's right to conduct activities is cancelled (BoD is dissolved at appointment of special administrator);
- judicial administrator has extensive powers to run the company's activity if debtor's right to conduct activities is cancelled;
- company reputation can be negatively affected;
- risk of complications with existing contractual arrangements
- risk of bankruptcy if company is not managed properly during the administration stage.

## Cancellation of the administration right

- The syndic judge may order the cancellation of the debtor's administration right, in which case all acts, legal operations and payments made by the debtor must be performed through the judicial administrator. No such cancellation has been requested in relation to Hidroelectrica to date.

# Hidroelectrica's Insolvency – Impact

## Impact on the Company's current projects

- Delay of the Initial Public Offering scheduled for this year
- Delay in the appointment of the professional management and independent Board

## Impact on Fondul Proprietatea

- Following the Court decision, the company's value in the Fund's NAV will be adjusted to RON 0 until the finalization of the insolvency procedure, according to CNVM regulation no. 4/2010. As at 31 May 2012, the value of the holding in Hidroelectrica was RON 3,288.71 million, i.e. 20,98 % of the total NAV
- For the Fund's outstanding dividend receivable from Hidroelectrica's 2010 profits and the related penalty interest for the delay in payment, in the total amount of RON 46.87 million, an impairment adjustment will be recorded
- No impact is envisaged on the corporate actions planned until the end of 2012 (i.e. secondary listing on the Warsaw Stock Exchange, buy-back program, and dividends payable starting 29 June 2012)
- It is important that total NAV of the Fund stays above the share capital in issue in future years in order to be able to pay dividends

## Fund Manager's View

- Following the Bucharest Court's decision that has a material effect on the Fund's NAV (as reported on 18 June) the Fund Manager is faced with a new situation and intends to closely monitor the activities of the judicial and special administrators of Hidroelectrica
- We will endeavor to do our best to ensure that there is a timely implementation of a reorganisation plan that will generate long term benefits for the company and its shareholders
- We believe that the reorganisation plan should focus on improving the cash flow by increasing revenues and reducing expenses
- The Fund Manager will work to protect the Fund's interests throughout the insolvency proceedings and would like to see Hidroelectrica emerging from this process as soon as possible

**FONDUL**  
PROPRIETATEA



**For further information please contact:**  
[investor.relations@fondulproprietatea.ro](mailto:investor.relations@fondulproprietatea.ro)

**FONDUL**  
**PROPRIETATEA**

