



# Fondul Proprietatea 2011 Semi-annual Results

16 August 2011



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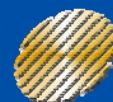


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## Highlights



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# The Fund – Key Facts and Shareholders Structure

## FUND DETAILS AS OF 31 JULY 2011

Base currency	RON
Fund Launch Date	28 December 2005
Franklin Templeton Appointment Date	29 September 2010
Listing date	25 January 2011

VALUES*	RON	EUR**
NAV	16.0 bn	3.8 bn
NAV/share	1.1625	0.2742
Price/ Share***	0.5100	0.1203
Discount	56.1%	56.1%

\* As per 31 July 2011, based on CNVM methodology

\*\* Computed using the EUR/RON FX rate as of 29 July 2011

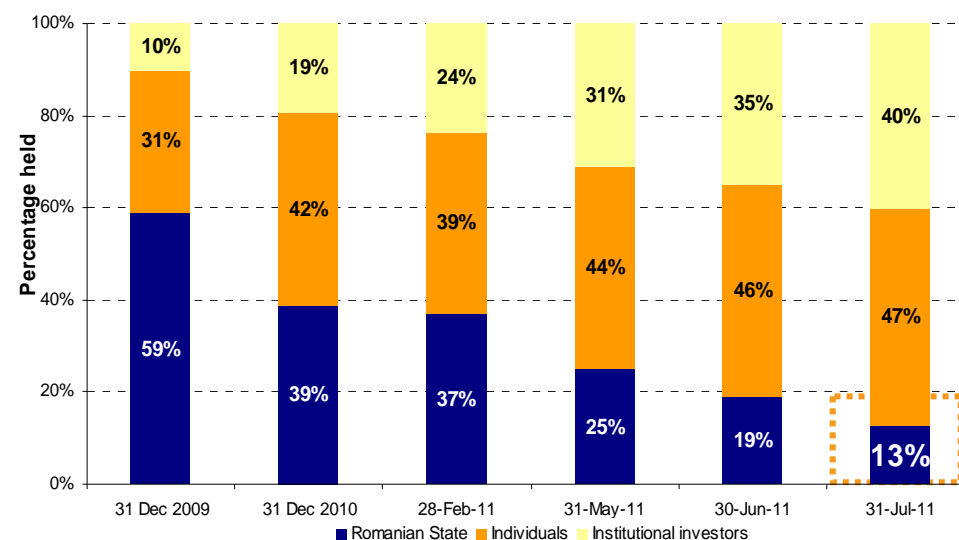
\*\*\* Share price as at 29 July 2011

DIVIDENDS PAID	RON	EUR*
2006	0.0025	0.0070
2007	0.0066	0.0018
2008	-	-
2009	0.0816**	0.0193
2010	0.03141	0.0077

\* Computed using the end of period EUR/RON FX rate

\*\* Distribution for the years 2008 and 2009

## Shareholders structure (% held) - Evolution -



Source: audited IFRS financial statements for the 2009 & 2010 FY and FP for 2011 figures

Certain restrictions apply to the voting rights for large holdings, until the Ministry of Finance declines under 33%. As a result, at 31 July 2011 the current 13,756 mn shares correspond to a number of 12,269 mn voting rights.

The voting restrictions imply that:

- for holdings < 1%, included: 1 share = 1 vote
- for holdings between 1-3%, included: for shares up to 1%, included, 1 share = 1 vote, for shares between 1% and 3%, included, 2 shares = 1 vote
- for holdings between 3-5%, included: for shares up to 1%, included, 1 share = 1 vote, for shares between 1% and 3%, included, 2 shares = 1 vote, for shares between 3% and 5%, included, 3 shares = 1 vote
- for holdings > 5%, included, for shares up to 1%, included, 1 share = 1 vote, for shares between 1% and 3%, included, 2 shares = 1 vote, for shares between 3% and 5%, included, 3 shares = 1 vote, for shares over 5% 1 share = 0 vote
- Except for the Ministry of Finance for whom 1 share represents 1 vote.



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# Romanian Government's options for the restitution process\*

## 1. Propose to inject new assets in Fondul Proprietatea

- Assets to be added to FP will be subject to shareholder approval
- Questions regarding the valuation of the assets
- No intention so far from the State to pursue this option

## 2. Create a restitution fund similar to Fondul Proprietatea

## 3. Directly distribute shares in State-Owned Companies

## 4. Issue bonds to finance the restitution process

## 5. Pay cash to settle the claims

*\*Fund Manager's assessment of the available options for the Romanian Government to continue to the restitution process once all the shares in Fondul Proprietatea are distributed*

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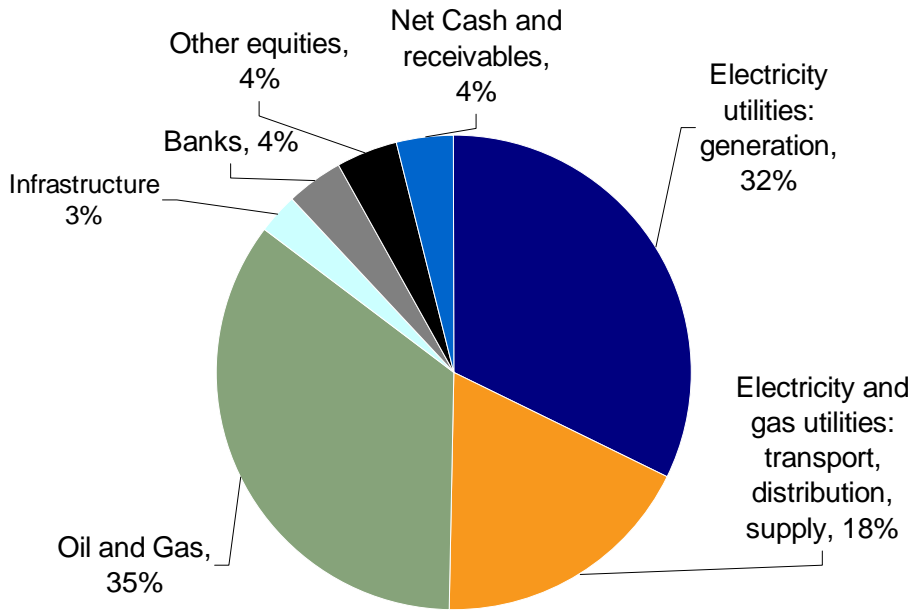


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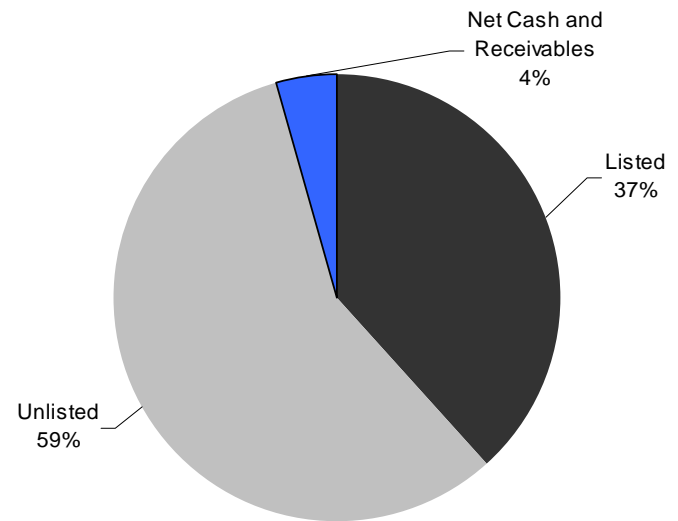
# Portfolio Structure

- FP’s portfolio includes stakes in 82 companies (31 listed and 51 unlisted), both privately-held and State-owned, ranging from less than 1% up to 100%
- The portfolio is heavily weighted towards the electricity, oil and gas sectors (approx. 85% of the NAV), offering unique exposure to the energy sector
- In H1 2011, the Fund sold its holdings in Marlin, Familial Restaurant and Laromet, reduced its stake in Vitacom and Oil Terminal, increased exposure to Alro, Azomures, and BRD - Groupe Societe Generale, and added to the portfolio stakes in Erste Bank, Raiffeisen Bank and Banca Transilvania

**Portfolio structure, breakdown on sector (% FP’s NAV)**



**Portfolio structure, breakdown on listed vs. unlisted (% FP’s NAV)**



Source: Reports prepared by the Fund’s Manager as of 31 July 2011

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Top 20 Holdings		Status	% STAKE	Value (RON million)	% of NAV	Representatives on Board of Directors
1.	OMV Petrom S.A.	<b>Listed-SPO 2012</b>	20%	4,285.3	26.8%	YES
2.	Hidroelectrica S.A.	Unlisted	20%	3,340.4	20.9%	YES
3.	Romgaz S.A.	<b>IPO 2012</b>	15%	1,220.2	7.6%	YES
4.	Nuclearelectrica S.A.	Unlisted	10%	735.1	4.6%	YES
5.	CE Turceni S.A.	Unlisted	25%	522.6	3.3%	YES
6.	Transgaz S.A.	<b>Listed- SPO 2011</b>	15%	396.3	2.5%	YES
7.	GDF Suez Energy Romania S.A.	Unlisted	12%	338.7	2.1%	NO
8.	ENEL Distributie Muntenia S.A.	Unlisted	12%	337.2	2.1%	NO
9.	CN Aeroporturi Bucuresti S.A.	Unlisted	20%	322.4	2.0%	NO
10.	ENEL Distributie Banat S.A.	Unlisted	24%	316.7	2.0%	YES
11.	CE Rovinari S.A.	Unlisted	24%	290.2	1.8%	YES
12.	CE Craiova S.A.	Unlisted	24%	266.8	1.7%	YES
13.	Alro S.A.	<b>Listed</b>	10%	259.8	1.6%	NO
14.	BRD – Groupe Societe Generale S.A.	<b>Listed</b>	3%	251.2	1.6%	NO
15.	Electrica Distributie Muntenia Nord S.A.	Unlisted	22%	238.1	1.5%	NO
16.	E.ON Moldova Distributie S.A.	Unlisted	22%	220.8	1.4%	NO
17.	ENEL Distributie Dobrogea S.A.	Unlisted	24%	218.8	1.4%	YES
18.	Transelectrica S.A..	<b>Listed-SPO 2011</b>	13%	202.9	1.3%	YES
19.	Electrica Distributie Transilvania Sud S.A.	Unlisted	22%	183.5	1.2%	NO
20.	Erste Group Bank AG	<b>Listed</b>	0.3%	173.8	1.1%	NO
<b>Top 20 portfolio holdings</b>				<b>14,120.8</b>	<b>88.3%</b>	
<b>Total NAV</b>				<b>15,992.8</b>		

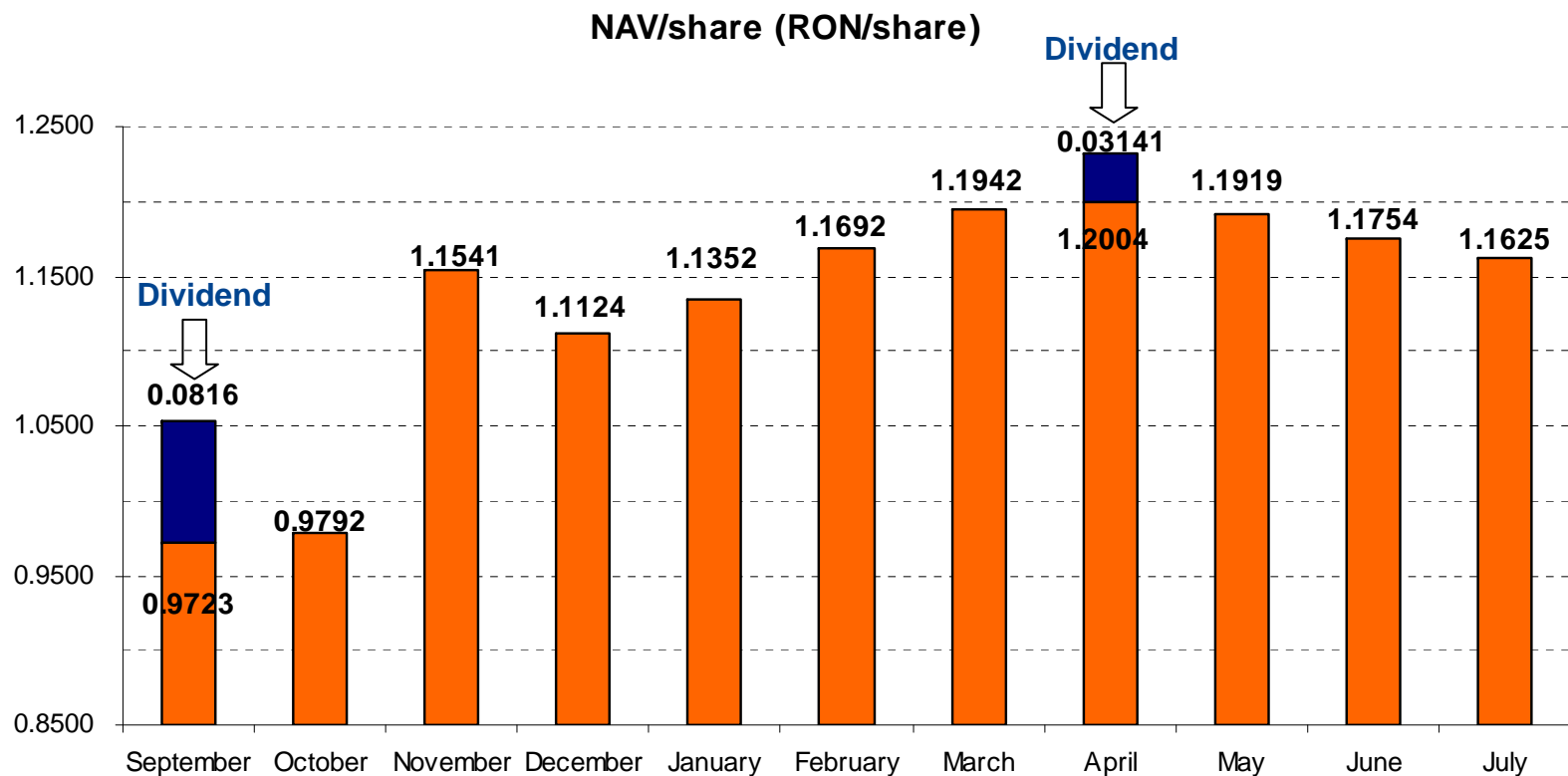
Source: Reports prepared by the Fund's Manager as of 31 July 2011



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# Net Asset Value



The NAV methodology was changed by CNVM in accordance with Disposal of Measure 17 in November 2010, which first impacted the November NAV



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# Secondary Listing: Warsaw Stock Exchange

## Benefits of the secondary listing:

- Increased visibility among international institutional investors
- Easy access into the Fund for a broader investor base, not currently investing in Romania,
- Broader research coverage from a larger number of international brokers
- Secondary listing should be combined with an offering of up to 10% of the existing shares

## Why Warsaw Stock Exchange:

- WSE has developed into a major venue for the Central and Eastern European region's largest companies
- With a market capitalisation of \$2.5 bn. Fondul Proprietatea would be in the top 15 companies among the 417 firms listed on the main market of the WSE, thus giving it a higher visibility in that market than on the larger LSE)
- WIG index inclusion would be possible due to the size of the Fund, attracting benchmark investors (London main indices exclude non-UK entities)
- Listing on the LSE would also target an international investor base, but would lack the potential strong Polish demand from domestic investors (e.g. Polish pension funds AUM over \$80 bn.
- The estimated cost of admission and annual fees will be approx. 50% lower in Warsaw than London

## Next steps:

- Selection of investment bank to sponsor the secondary listing
- Board of Nominees' and shareholders' approval
- Target secondary listing in H1 2012



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# Buy-Back Program

## Buy-Back Program Terms:

- GSM approval to purchase up to **10%** of outstanding shares until 1 March 2012
- Shares can only be acquired within the price range of RON 0.2 to RON 1.5 per share
- Ability to purchase up to **25%** of the average daily volume of the shares
- Public disclosure to be made within **7 trading days** of the buy-back
- According to 31 December 2010 statutory financial statements, the Fund has **RON 120.3 million (EUR 28.3 million)** in available reserves for the buy-back programme
- On 8 March 2011, following a competitive tender, the Fund Manager selected Wood & Company Financial Services as broker for executing the buy-backs on the market.
- **201.9 million shares** of the Fund were bought back as at 5 August 2011, at an average price of **RON 0.5093**, in total amount of **RON 102.9 million** (approx. 86% of the total amount available)



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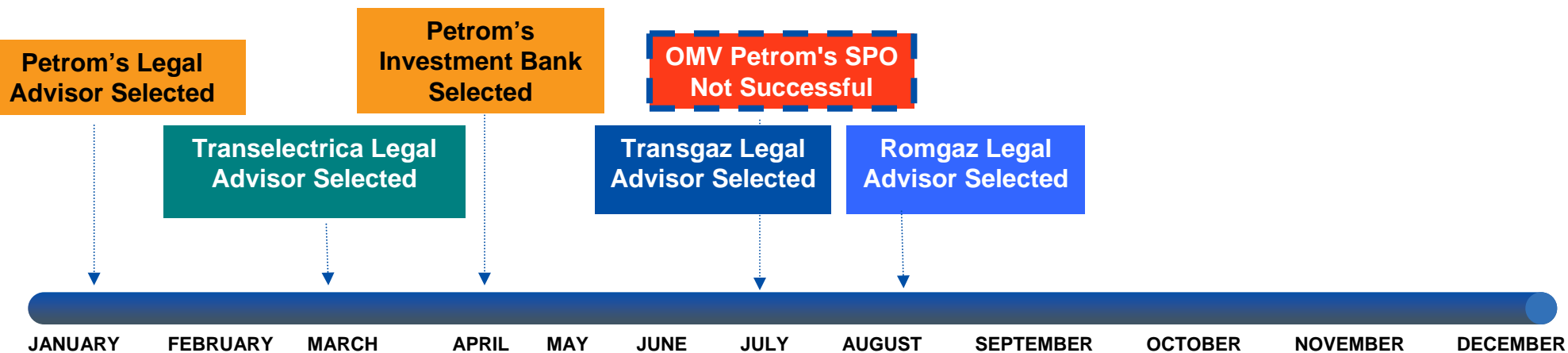


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## 2011 SPO & IPO Timeline

Company	Share Sale	SPO Stake	Market Value* (mn)
OMV PETROM	SPO – Q1 2012	9.8%	EUR 497.2
TRANSELECTRICA	SPO - 2011	15.0%	EUR 55.2
TRANSGAZ	SPO - 2011	15.0%	EUR 93.4
ROMGAZ**	IPO - 2012	15.0%	EUR 287.8

### Privatization Progress



\*Source: BVB, as at 29 July 2011

\*\*Source: 31 July 2011 NAV report



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## Top 20 Portfolio Holdings – Expected Dividends

Top 20 Holdings	% STAKE	2010 Profit	Dividend Payout %	2011 FP Net Dividend
1. OMV Petrom S.A.	20%	2,190.0	46%	201.5
2. Hidroelectrica S.A.	20%	292.4	90%	52.5
3. Romgaz S.A.	15%	651.2	110%	106.0
4. Nuclearelectrica S.A.	10%	13.1	-	0
5. CE Turceni S.A.	25%	-69.0	-	0
6. Transgaz S.A.	15%	376.4	90%	50.8
7. GDF Suez Energy Romania S.A.	12%	148.4	-	0
8. ENEL Distributie Muntenia S.A.	12%	105.1	-	0
9. CN Aeroporturi Bucuresti S.A.	20%	55.2	90%	9.9
10. ENEL Distributie Banat S.A.	24%	182.0	46%	20.2
11. CE Craiova S.A.	24%	0.2	-	0
12. CE Rovinari S.A.	24%	0.6	-	0
13. Alro S.A.	10%	159.8	100%	13.5
14. BRD – Groupe Societe Generale S.A.	3%	500.6	21%	2.1
15. Electrica Distributie Muntenia Nord S.A.	22%	29.7	-	0
16. E.ON Moldova Distributie S.A.	22%	166.9	-	0
17. ENEL Distributie Dobrogea S.A.	24%	99.6	56%	13.5
18. Transelectrica S.A.	13%	9.6	96%	1.2
19. Electrica Distributie Transilvania Sud S.A.	22%	11.9	-	0
20. Erste Group Bank AG	0.3%	4,346.0	28%	3.3
<b>Total</b>		<b>9,338.7</b>		<b>474.5</b>
<b>Market Capitalisation</b>		<b>NA</b>		<b>6,063.9</b>

Total dividends received by the Fund from 2009 profits:

**RON 179 million**

*Note: Market capitalisation calculated using the share price as at 10 August 2011*

*Calculation based on the companies' 2010 statutory financial statements*

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# Active Portfolio Management

## Protecting and unlocking the underlying value of the Fund

- Actively monitoring the portfolio companies and advising on increasing efficiency, profitability, and transparency, especially for state-owned companies
  - 250+ General Shareholders Meetings between 1 January – 31 July 2011
  - 80 Board of Directors meetings between 1 January – 31 July 2011
- Ensuring that corporate governance practices are followed in the underlying portfolio companies (streamlining decision-making processes, 30 days notice prior to GSMs, etc.)
- Suspended the merger project for the creation of the two “Energy Champions”
- Disclosed information on the top 20 portfolio companies on the Fund’s website
- Continuing with the legal action against the Romgaz donation
- Continuing with the legal action against the Board members of Romgaz
- Supporting the plans of the Romanian Government to list 15% of Hidroelectrica and Nuclearelectrica on the Bucharest Stock Exchange
- Supporting the Government’s plan to bring private management in state-owned companies, as agreed with the International Monetary Fund



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## Measures agreed by the Romanian Government with the IMF\*

### Reforming State Owned Enterprises

- Improve corporate governance legislation for SOEs by August 2011:
  - Regular independent financial external audits
  - Quarterly financial data reporting
  - Moving financial control from line ministries to the Ministry of Public Finances
  - Applying OECD principles on corporate governance
  - Private management
- In addition to the upcoming SPOs and IPOs that are to be completed by year-end, the Government will offer minority stakes in Hidroelectrica and Nuclearelectrica by March-June 2012

### Measures with impact on the energy sector

- Present plan to phase out regulated electricity and gas prices by October 2011
- Complete removal of regulated energy prices for non-households before 2013
- Ensure future bilateral contract for energy firms done transparently through OPCOM
- Seek to adjust existing energy prices in ongoing contracts to market prices, where legally possible

\*Source: Letter of Intent of the Government of Romania, June 2011



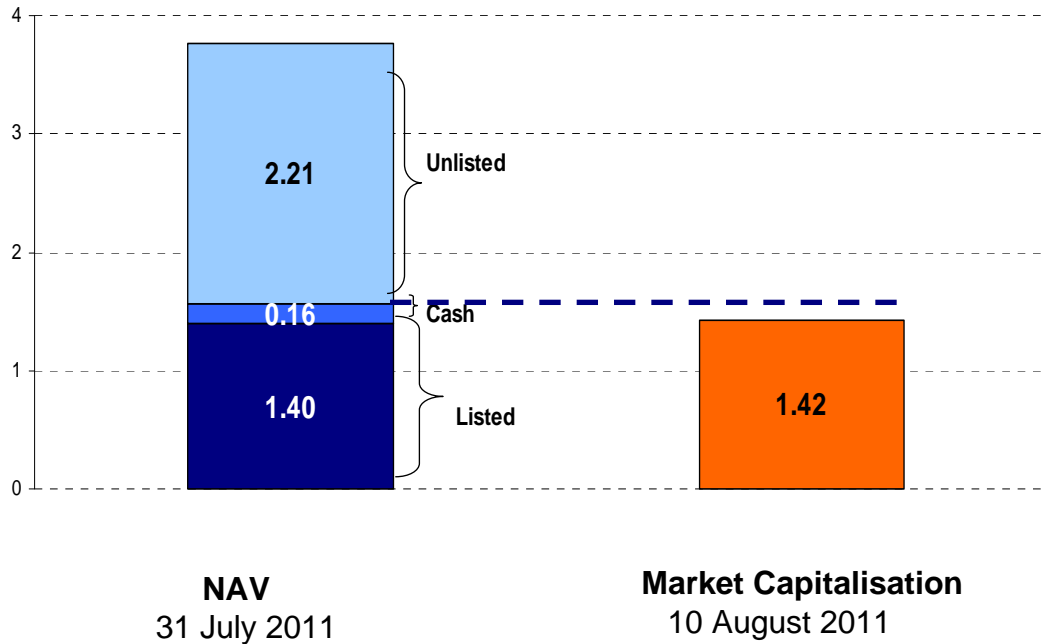
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# FP Market Performance

NAV vs. Market Capitalisation (EUR bn)



Source: BVB, FP

FP Share Price



**Number of shares traded\*: 6.6 billion shares (47.8% of the share capital)**

**Average daily turnover: EUR 6.2 million**

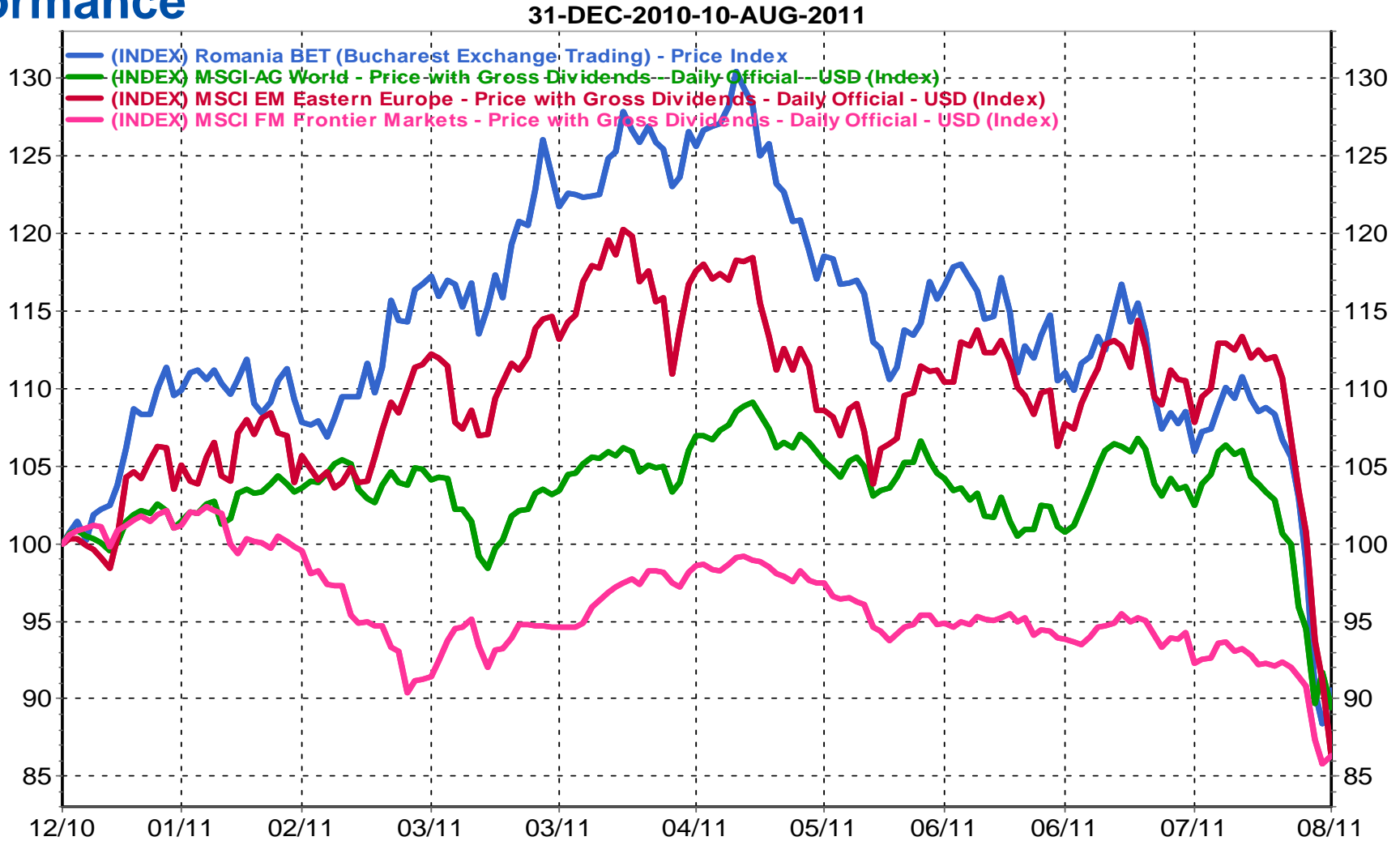
**Value of the shares traded\*: EUR 852 million**

Source: BVB

\*for the period 25 January 2011 – 10 August 2011



# Romania Vs MSCI Eastern Europe Vs Frontier Markets Vs World : YTD Performance



Source : MSCI

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# H1 2011 Results



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# Income Statement

	For the 6-month period ended	
	30 June 2010	30 June 2011
	RON	RON
	Unaudited	Unaudited
<b>Revenues from current activity, out of which:</b>	<b>267,749,209</b>	<b>593,708,256</b>
Revenues from financial assets	173,185,462	513,207,854
Interest income	53,421,869	29,195,557
Reversal of impairment adjustments & provisions	-	28,780,922
Revenues from disposal of financial assets	-	9,706,333
Revenues from foreign exchange differences	41,103,388	1,466,344
Other income from current activity	38,490	11,351,246
<b>Expenses from current activity, out of which:</b>	<b>50,173,359</b>	<b>48,521,622</b>
Expenses from disposal of financial assets	-	3,980,309
Expenses from foreign exchange differences	40,790,968	630,762
Depreciation, provisions, losses from receivables and sundry debtors	82,078	11,705,864
Commissions and fees	2,880	8,998,887
Other expenses from current activity *	9,297,433	23,205,800
<b>Gross profit / (loss)</b>	<b>217,575,850</b>	<b>545,186,634</b>
Income tax expense	7,084,629	2,044,577
<b>Net profit / (loss)</b>	<b>210,491,221</b>	<b>543,142,057</b>

*Other expenses from current activity include: bank charges, material and utility expenses, salary costs, third party expenses as well as duties and other taxes*



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# Balance Sheet

	31 December 2010	30 June 2011
	audited	unaudited
	RON	RON
Financial assets	10,890,522,931	12,003,138,866
<b>Non-current assets - total</b>	<b>10,890,522,931</b>	<b>12,003,138,866</b>
<b>Current assets - total</b>	<b>1,332,432,934</b>	<b>1,045,861,950</b>
Prepaid expenses	31,004	128,895
Payables within one year	69,287,395	245,396,120
<b>Total assets less current liabilities</b>	<b>12,153,699,474</b>	<b>12,803,733,591</b>
Provisions	14,424,098	14,197,829
<b>Shareholders' equity</b>	<b>12,139,275,376</b>	<b>12,789,535,762</b>

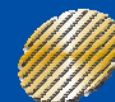


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# Upcoming Events



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## 2011 Upcoming Events

<b>Date</b>	<b>Event</b>
<b>7-9 September</b>	<b>Fondul Proprietatea at Deutsche Bank Global Emerging Markets Conference</b>
<b>3-4 October</b>	<b>Fondul Proprietatea at Erste Group Investor Conference</b>
<b>5 October</b>	<b>General Shareholders' Meeting*</b>
<b>6/7 October</b>	<b>Analyst and Investor Days*</b>
<b>15 November</b>	<b>Q3 2011 Report</b>

*\*Tentative dates that may change subject to CNVM approval*



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**The End**



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