



Fondul Proprietatea Q1 2011 Report

16 May 2011



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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, Trade Registry registration no is J40/21901/2005 and the subscribed and paid share capital is RON 13,778,392,208.



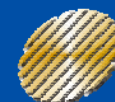
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Q1 2011 Highlights



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The Fund – Key Facts and Shareholders Structure

FUND DETAILS AS OF 30 APRIL 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	16.5 bn	4.1 bn
NAV/share	1.2004	0.2946
Price/ Share	0.5605	0.1376
Discount	53.3%	53.3%

* As per 30 April 2011, based on NSC methodology

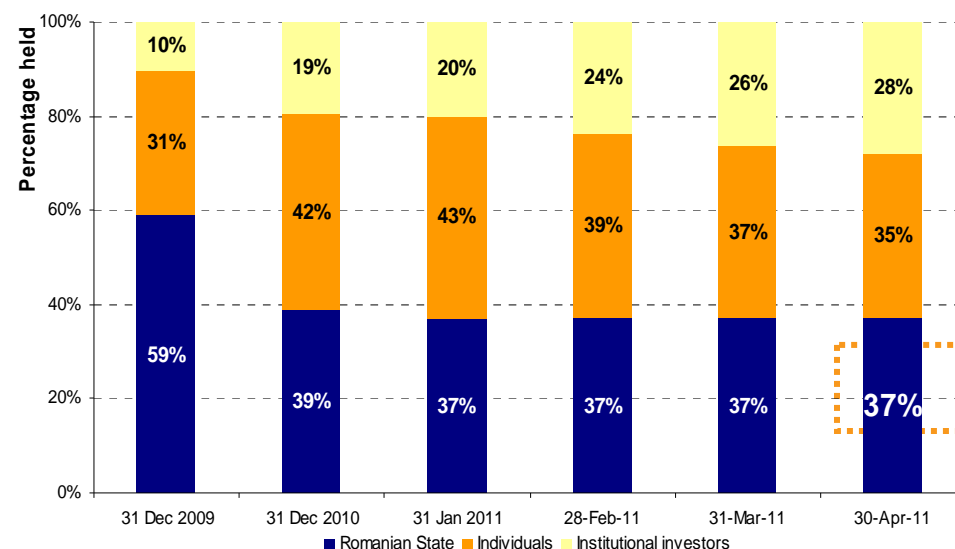
**Computed using the EUR/RON FX rate as of 29 April 2011

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 30 November 2010 the current 13,778 mn shares correspond to a number of 12,795 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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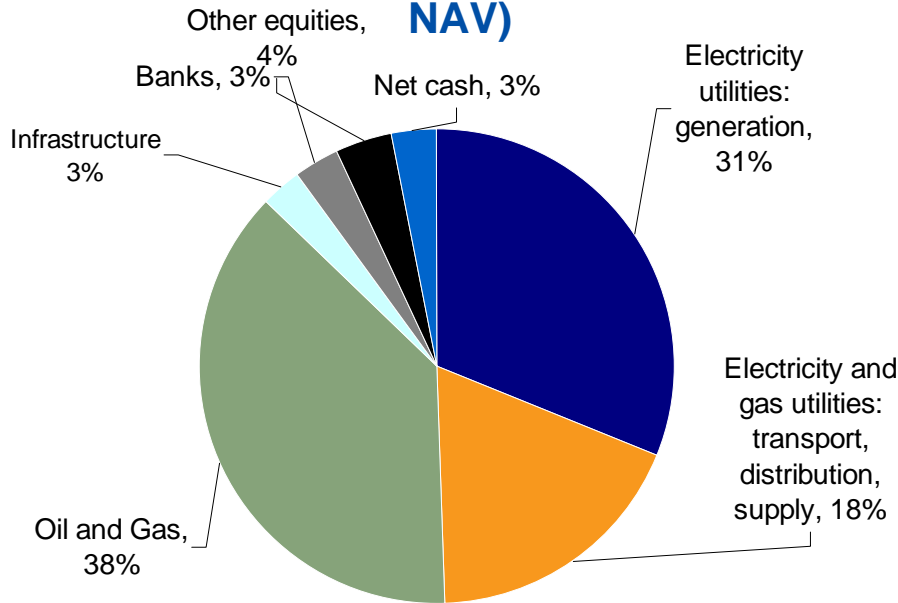


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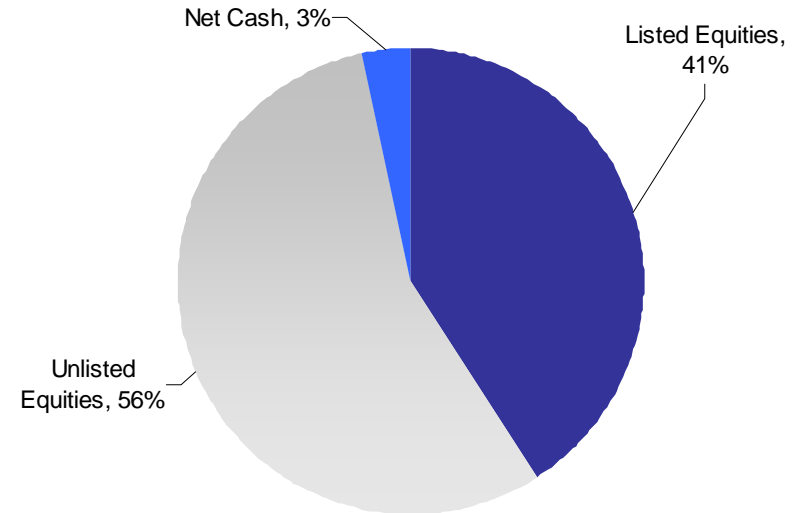
Portfolio Structure

- FP’s portfolio includes stakes in 83 companies (30 listed and 53 unlisted), both privately-held and State-owned, ranging from less than 1% up to 100%
- The portfolio is heavily weighted towards the power, oil and gas sectors (approx. 87% of the NAV), offering unique exposure to the energy sector
- In Q1 2011, the Fund sold its holdings in Marlin and Familial Restaurant, increased exposure to Alro, Azomures, and BRD Societe Generale, and added to the portfolio stakes in Erste Bank and Raiffeisen Bank

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 30 April 2011

Top 20 Holdings		Status	Value (RON million)	% of NAV	Representatives on Board of Directors
1.	OMV Petrom S.A.	Listed – SPO 2011	5,012.1	30.3%	YES
2.	Hidroelectrica S.A.	Unlisted	3,287.0	20.0%	YES
3.	Romgaz S.A.	IPO 2012	1,245.7	7.5%	YES
4.	Nuclearelectrica S.A.	Unlisted	705.6	4.3%	YES
5.	CE Turceni S.A.	Unlisted	530.1	3.2%	YES
6.	Transgaz S.A.	Listed- SPO 2011	479.1	2.9%	YES
7.	ENEL Distributie Muntenia S.A.	Unlisted	337.2	2.0%	NO
8.	CN Aeroporturi Bucuresti S.A.	Unlisted	322.4	2.0%	NO
9.	ENEL Distributie Banat S.A.	Unlisted	316.7	1.9%	YES
10.	GDF Suez Energy Romania S.A.	Unlisted	302.6	1.8%	NO
11.	Alro S.A.	Listed	291.4	1.8%	NO
12.	CE Craiova S.A.	Unlisted	267.3	1.6%	YES
13.	CE Rovinari S.A.	Unlisted	251.3	1.5%	YES
14.	Electrica Distributie Muntenia Nord S.A.	Unlisted	232.2	1.4%	NO
15.	ENEL Distributie Dobrogea S.A.	Unlisted	218.7	1.3%	YES
16.	Transelectrica S.A..	Listed-SPO 2011	209.8	1.3%	YES
17.	BRD – Groupe Societe Generale S.A.	Listed	202.8	1.2%	NO
18.	Electrica Distributie Transilvania Sud S.A.	Unlisted	180.9	1.1%	NO
19.	Erste Group Bank AG	Listed	170.7	1.0%	NO
20.	Posta Romana S.A.	Unlisted	169.5	1.0%	YES
Top 20 portfolio holdings			14,733.1	89.1%	
Total NAV			16,539.9		

Source: Reports prepared by the Fund's Manager as of 30 April 2011



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Top 20 Portfolio Holdings – 2010 Key Financial Ratios*

Top 20 Holdings		EV/EBITDA	Debt/Equity	P/BV
1.	OMV Petrom S.A.	5.0	0.21	1.30
2.	Hidroelectrica S.A.	N/A	N/A	1.00
3.	Romgaz S.A.	5.8	0.00	1.00
4.	Nuclearelectrica S.A.	16.7	0.32	1.00
5.	CE Turceni S.A.	12.3	0.27	1.00
6.	Transgaz S.A.	5.3	0.05	1.10
7.	ENEL Distributie Muntenia S.A.	5.8	0.00	1.00
8.	CN Aeroporturi Bucuresti S.A.	9.8	0.00	0.32
9.	ENEL Distributie Banat S.A.	3.8	0.00	1.00
10.	GDF Suez Energy Romania S.A.	N/A	N/A	1.00
11.	Alro S.A.	7.1	0.43	1.90
12.	CE Craiova S.A.	14.7	0.16	1.00
13.	CE Rovinari S.A.	13.3	0.34	1.00
14.	Electrica Distributie Muntenia Nord S.A.	10.1	0.00	0.98
15.	ENEL Distributie Dobrogea S.A.	4.5	0.00	1.00
16.	Transelectrica S.A..	7.3	0.42	0.66
17.	BRD – Groupe Societe Generale S.A.	-	-	2.20
18.	Electrica Distributie Transilvania Sud S.A.	8.3	0.02	0.98
19.	Erste Group Bank AG	-	-	0.80
20.	Posta Romana S.A.	Negative	N/A	1.00
Average		8.7	0.15	1.07
Weighted Average**		7.0	0.17	1.12

*Calculation based on the companies' 2010 financial statements based on Romanian Accounting regulations except for OMV Petrom's financial statements prepared in accordance with IFRS

EBITDA= Earnings before Income Tax, Depreciation and Amortisation Debt = Interest bearing debt

EV= NAV Value / Market Capitalisation plus Interest Bearing Debt less Cash and Cash Equivalents; Debt = Interest bearing debt

**Weighted average is calculated on the basis of available 2010 figures



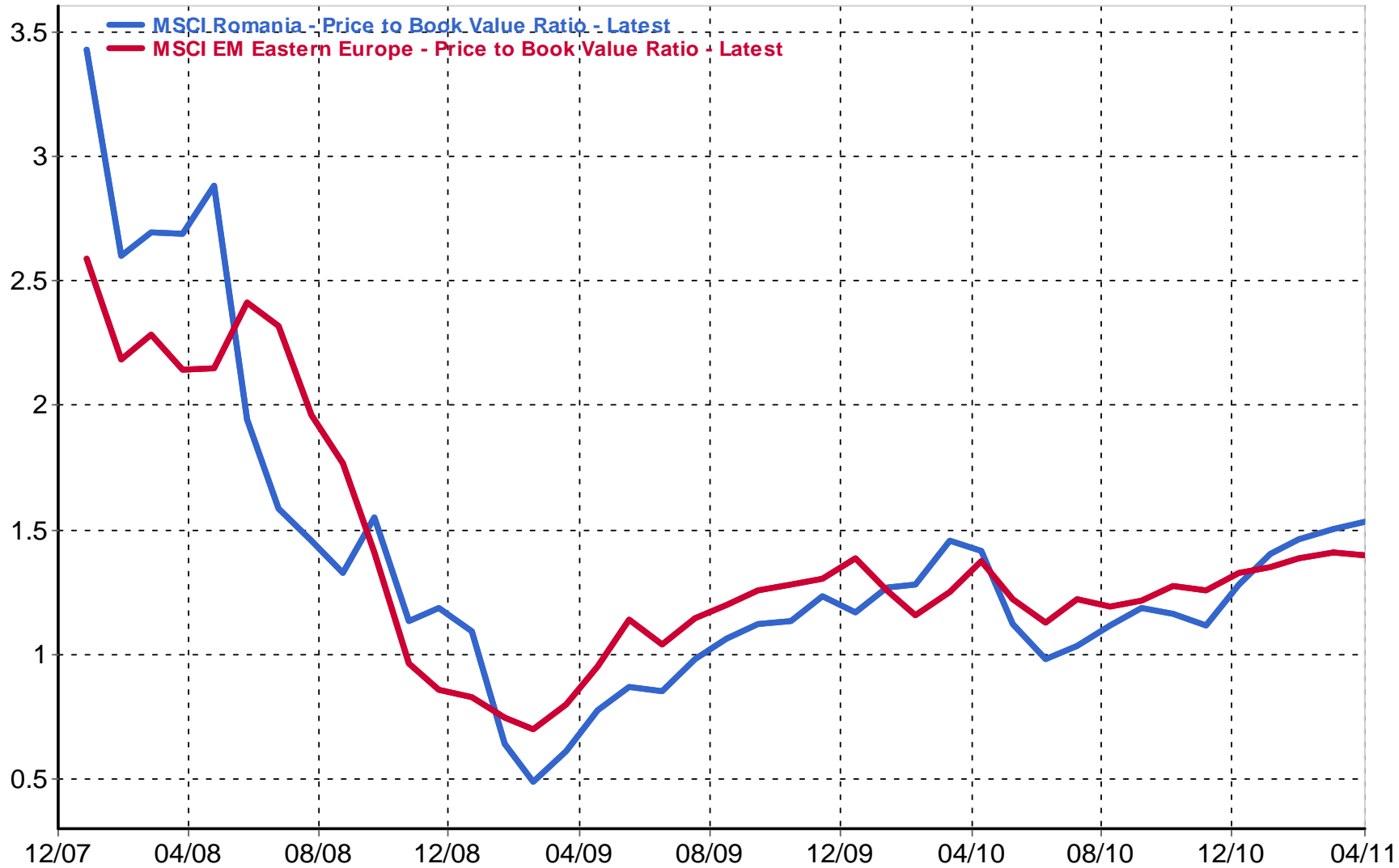
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Romania Vs MSCI Eastern Europe : P/BV

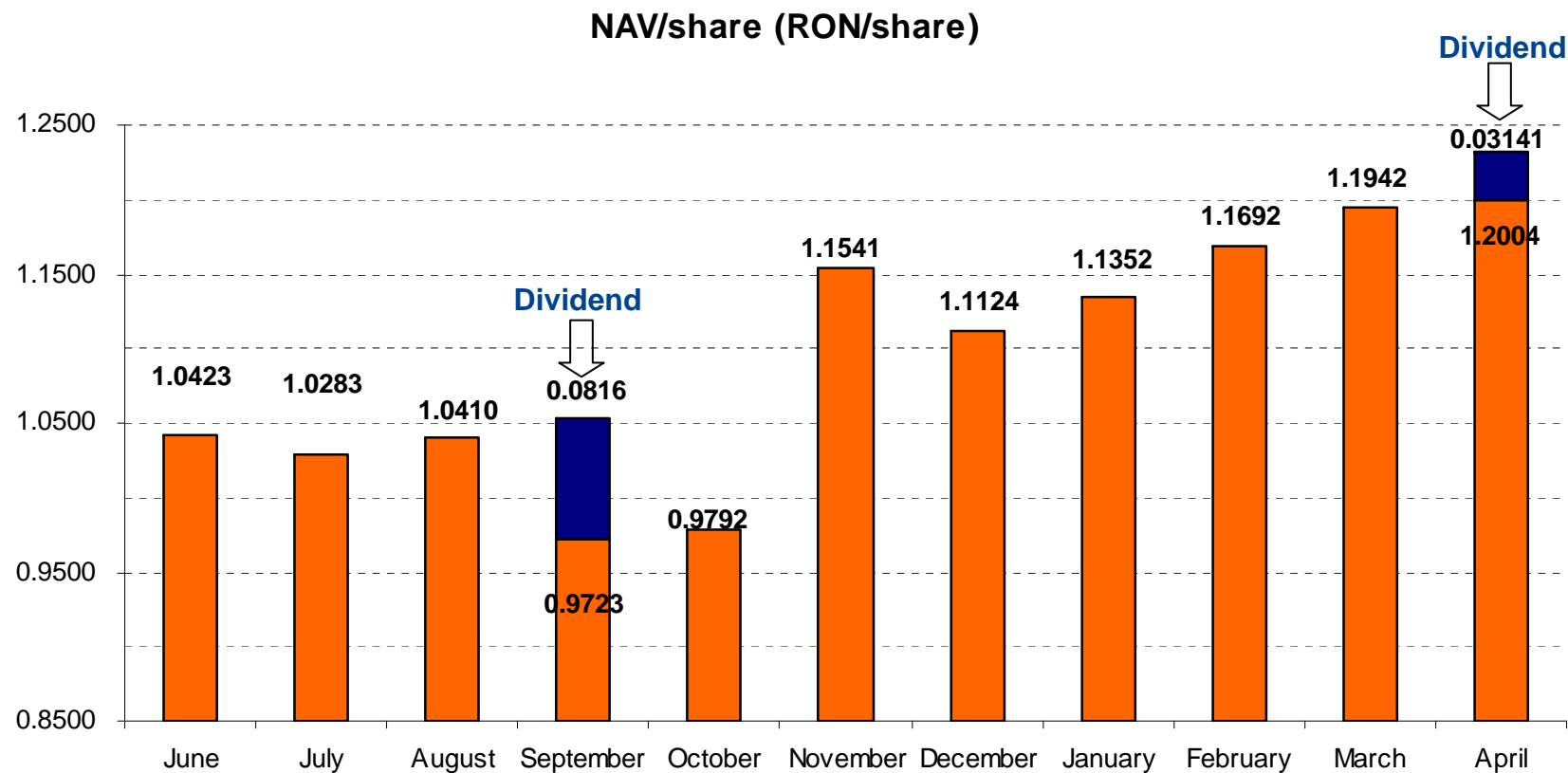
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Source : MSCI



Net Asset Value



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



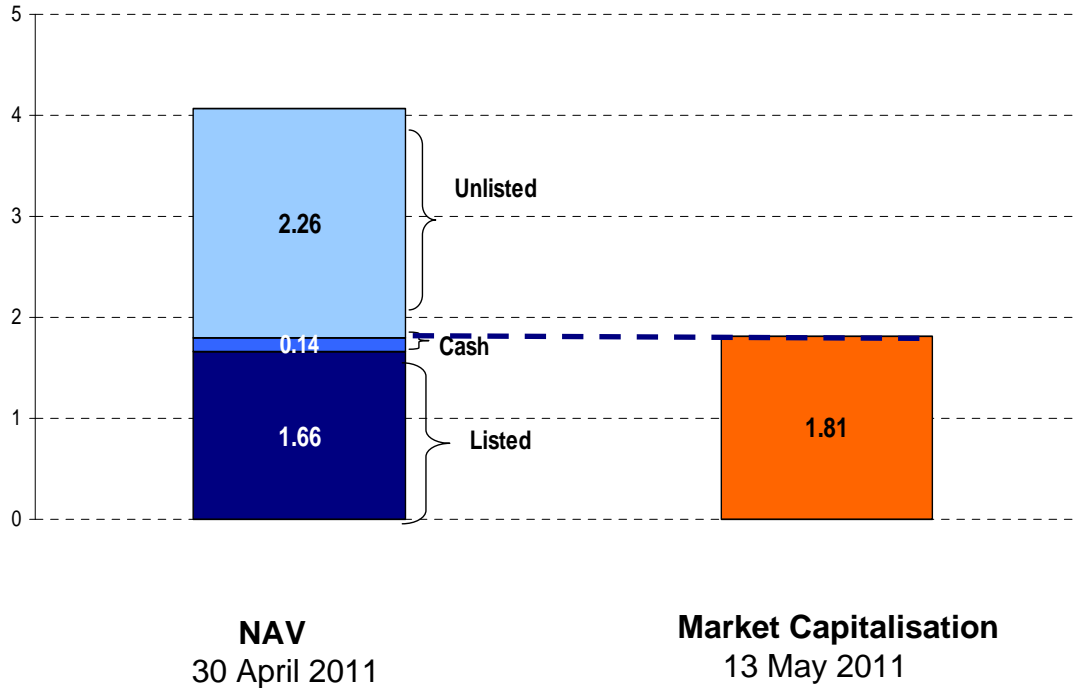
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FP Market Performance

NAV vs. Market Capitalisation (EUR bn)



Source: BVB, FP

FP Share Price



Number of shares traded*: 3.0 billion shares (21.7% of the share capital)

Average daily turnover: EUR 5.8 million

Value of the shares traded*: EUR 441 million

Source: BVB

*for the period 25 January 2011 – 13 May 2011



Board of Nominees- Current Structure since 27 April 2011

Current Members	Current Position	Recommended by	Comments
Bogdan Dragoi	State Secretary, Ministry of Public Finance	Ministry of Public Finance	
Cristian Busu	Director, Marfin Bank	Ministry of Public Finance	
Doru Petru Dudas	General Director, Ministry of Public Finance	Ministry of Public Finance	
Sorin Mindrutescu	Managing Director, Oracle Romania	Wood and Company	
Simion-Dorin Rusu	Adviser of the Minister of Economy, Commerce and Trade	Ministry of Public Finance	

Board of Nominees- Previous Structure

Current Members	Current Position	Recommended by	Comments
Bogdan Dragoi	State Secretary, Ministry of Public Finance	Ministry of Public Finance	
Cristian Busu	Director, Marfin Bank	Ministry of Public Finance	
Monica Maurer-George	<i>Member of the Investment Board, Jeremie Fund</i>	<i>Ministry of Public Finance</i>	<i>Revoked on 27/04/2011</i>
Sorin Mindrutescu	Managing Director, Oracle Romania	Wood and Company	
Corin Trandafir	<i>Managing Partner, Rubin, Meyer, Doru & Trandafir</i>	<i>Georgia Palade Von Dussen</i>	<i>Resigned on 25/03/2011</i>



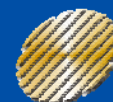
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Future Developments



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Buy-Back Program and Secondary Listing

Buy-Back Program Terms:

- Ability to purchase up to **10%** of outstanding shares until 1 March 2012 as per GSM approval
- 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.

Secondary Listing:

- Currently evaluating the costs and potential benefits of a secondary listing of Fondul Proprietatea on another stock exchange
- Potential Secondary listing destinations: London, Warsaw, or Vienna
- Initial findings and recommendation will be made to shareholders by end of June 2011
- Any further action would require shareholder approval



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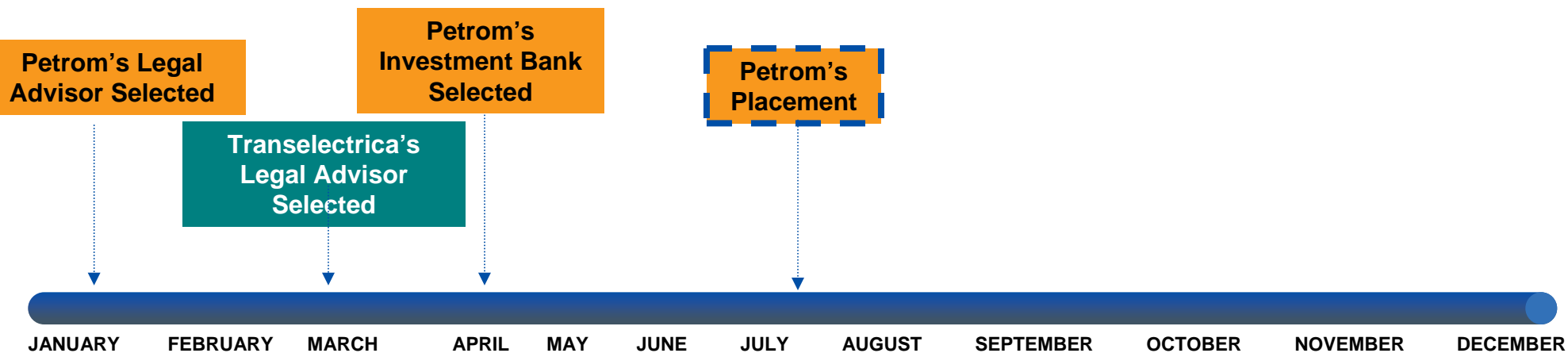


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2011 SPO & IPO Timeline

Company	Share Sale	SPO Stake	Market Value* (mn)
PETROM	SPO – June 2011	9.8%	EUR 566.5
TRANSELECTRICA	SPO - 2011	15.0%	EUR 55.7
TRANSGAZ	SPO - 2011	15.0%	EUR 107.7
ROMGAZ**	IPO - 2012	15.0%	EUR 303.4

Petrom and Transelectrica SPO Process



*Source: BVB, as at 13 May 2011

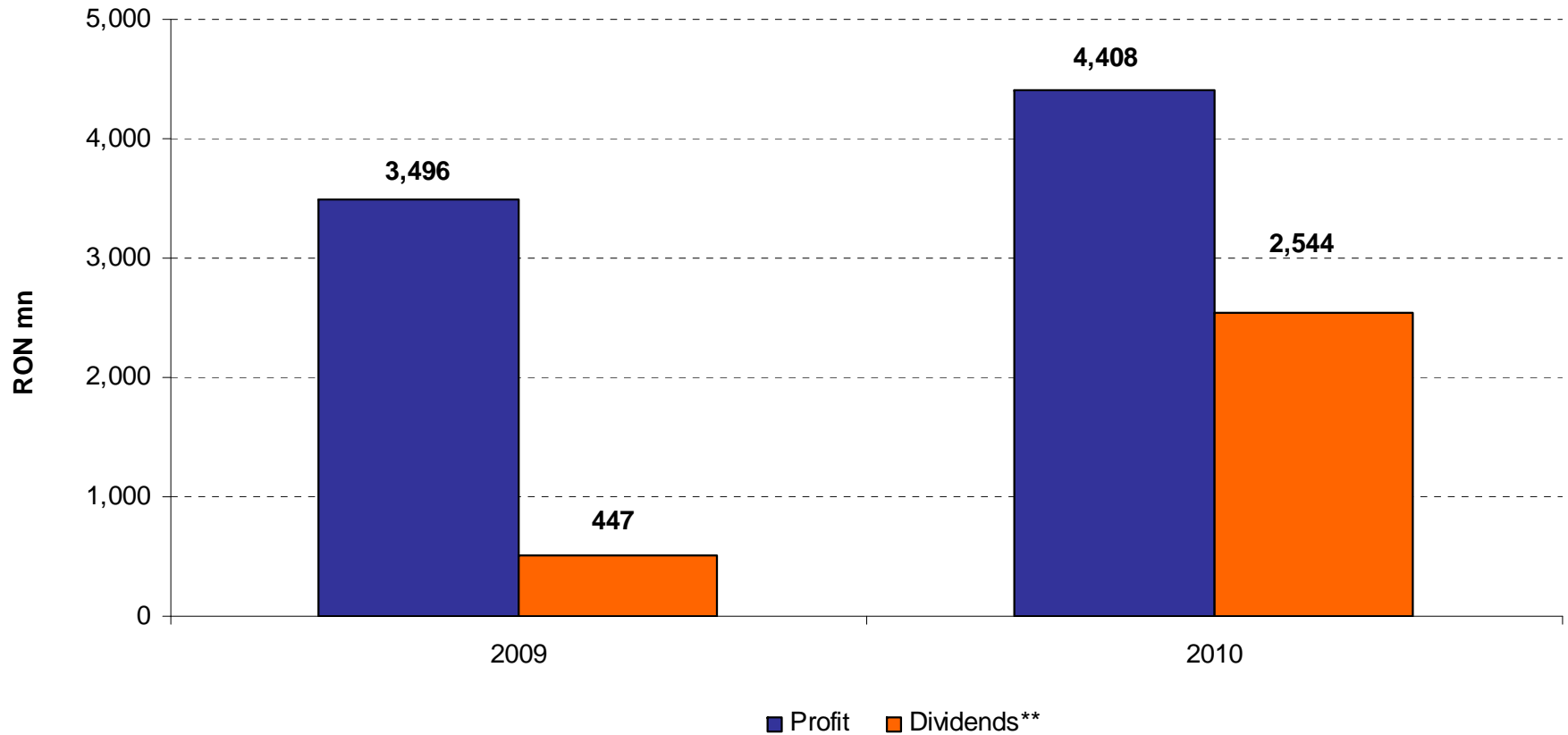
**Source: 30 April 2011 NAV report



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Expected Dividends from Portfolio Companies*

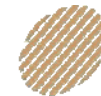


Expected dividend for the Fund from 2010 profits*: **RON 422 million**

Total dividends received by the Fund for 2009 profits: **RON 179 million**

*Calculation based on 17 of the top 20 portfolio companies

** Total dividends



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Current Electricity Merger Project

Electra and Hidroenergetica structure

Electra	Shareholders %	
1. Nuclearelectrica	Ministry of Economy	84.4%
2. Societatea Nationala a Lignitului Oltenia (SNLO)	Fondul Proprietatea	15.1%
	Termoelectrica	0.3%
3. CEN Turceni	Inchiderea si Conservarea Minelor	0.1%
4. CEN Rovinari	Hidroelectrica	0.1%
5. CEN Craiova		
6. part of Hidroelectrica		

Hidroenergetica	Shareholders %	
1. most of Hidroelectrica's assets	Ministry of Economy	63.9%
2. Electrocentrale Deva	Fondul Proprietatea	15.9%
3. Electrocentrale Bucuresti	Termoelectrica	20.2%

Major shortcomings of the project:

- None of the companies have the proper policies and operational efficiency needed to be able to execute successfully this merger project: **lack of policies in place proved by the contracts they sign and costs incurred**
- As envisaged in the Government strategy for restructuring the energy sector the cost per MWh produced will be 44-45 EUR compared with latest OPCOM market prices recorded in 2010 of 40 EUR/Mwh: **loss making**
- Thermo power plants – loss making starting 2013: due to **CO2 certificates**
- Low transparency and visibility
- Creation of both energy giants is **suspended** due to ongoing litigations

Source: companies' reports



Q1 2011 Results



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Income Statement

	For the quarter ended	
	31 March 2010	31 March 2011
	RON	RON
	Unaudited	Unaudited
Revenues from current activity, out of which:	20,098,416	33,330,581
Interest income	16,179,645	17,357,679
Reversal of impairment adjustments & provisions	-	9,798,164
Revenues from disposal of financial assets	-	67,392
Revenues from foreign exchange differences	3,881,283	1,126,283
Other income from current activity	37,488	4,981,063
Expenses from current activity, out of which:	43,091,188	18,560,379
Expenses from disposal of financial assets	-	36,468
Expenses from foreign exchange differences	38,314,982	309,110
Commissions and fees	2,880	4,427,492
Other expenses from current activity *	4,773,326	13,787,309
Gross profit / (loss)	(22,992,772)	14,770,202
Income tax expense	10,750	700,314
Net profit / (loss)	(23,003,522)	14,069,888



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Balance Sheet

	31 December 2010	31 March 2011
	audited	unaudited
	RON	RON
Financial assets	10,890,522,931	12,342,948,381
Non-current assets - total	10,890,522,931	12,342,948,381
Current assets - total	1,332,432,934	905,009,108
Prepaid expenses	31,004	184,136
Payables within one year	69,287,395	51,702,705
Total assets less current liabilities	12,153,699,474	13,196,438,920
Provisions	14,424,098	14,260,928
Shareholders' equity	12,139,275,376	13,182,177,992



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The End



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