



Restructuring State Owned Enterprises



FONDUL
PROPRIETATEA



FRANKLIN TEMPLETON
INVESTMENTS

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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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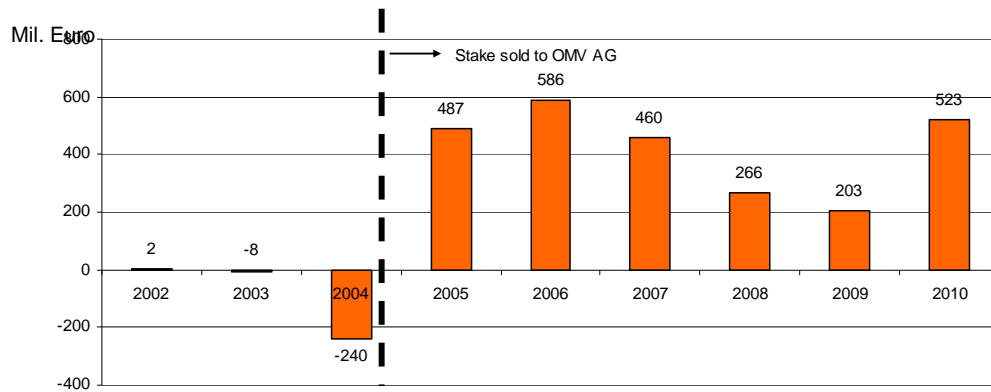


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Lessons from privatizations/IPOs

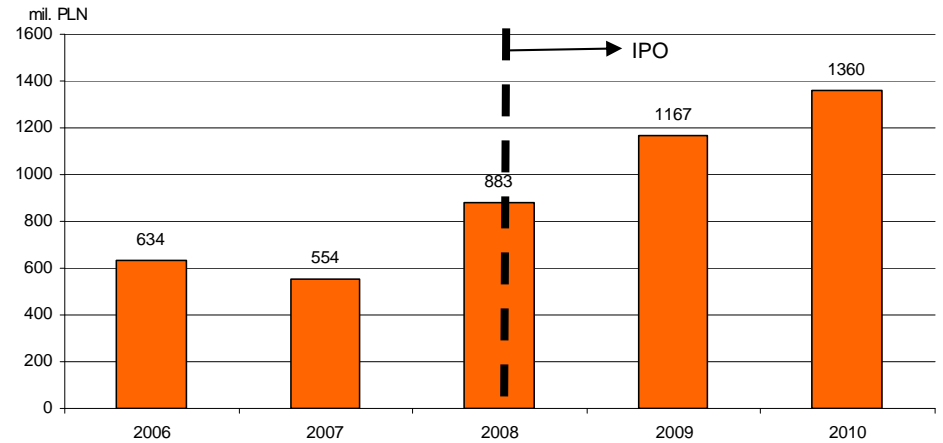
SNP Petrom majority stake sold to OMV AG in 2004

OMV Petrom Net Income Historical Evolution



ENEA was listed in 2008

ENEA EBITDA Historical Evolution



Historical oil price (2002-2011)



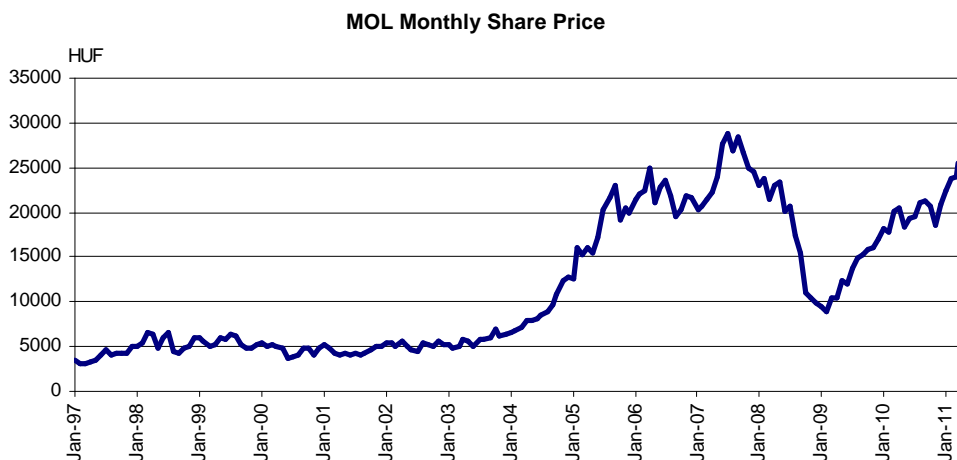
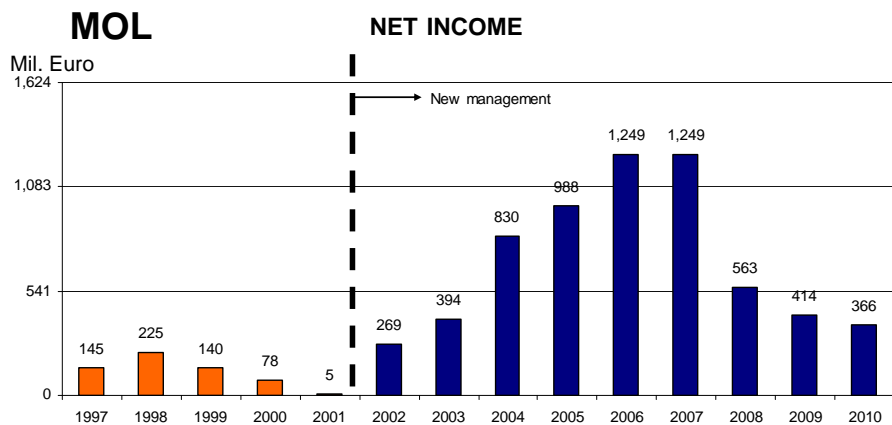
ENEA Share Price (2000-2011)



Source: Company reports, Bloomberg

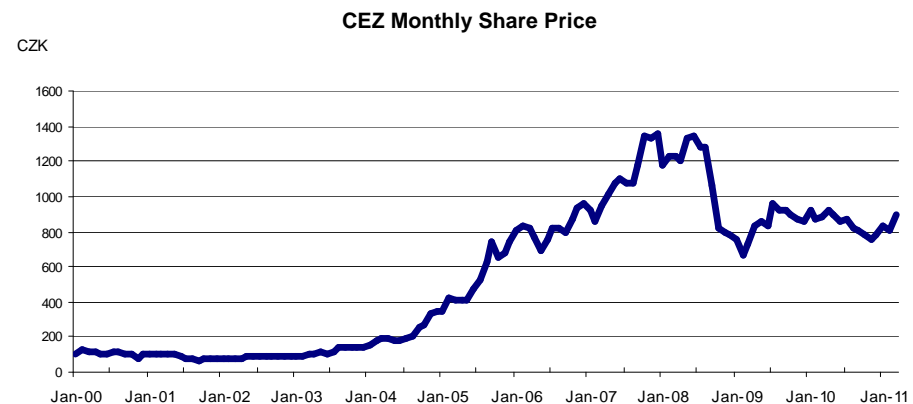
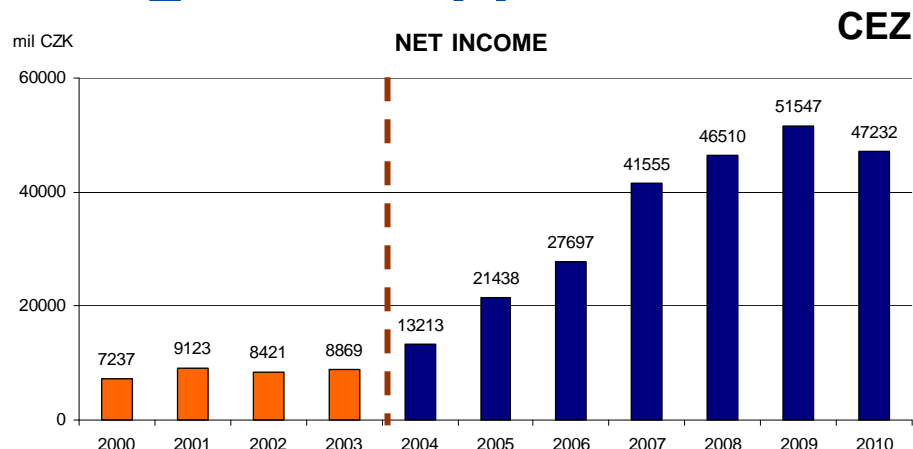


Lessons from professional management appointments



- MOL was listed in 1995
- New management team was installed in 2001 following a transparent selection process
- Average tenure of the executives: 5.2 years
- Average tenure of the directors: 4 years

Source: Bloomberg

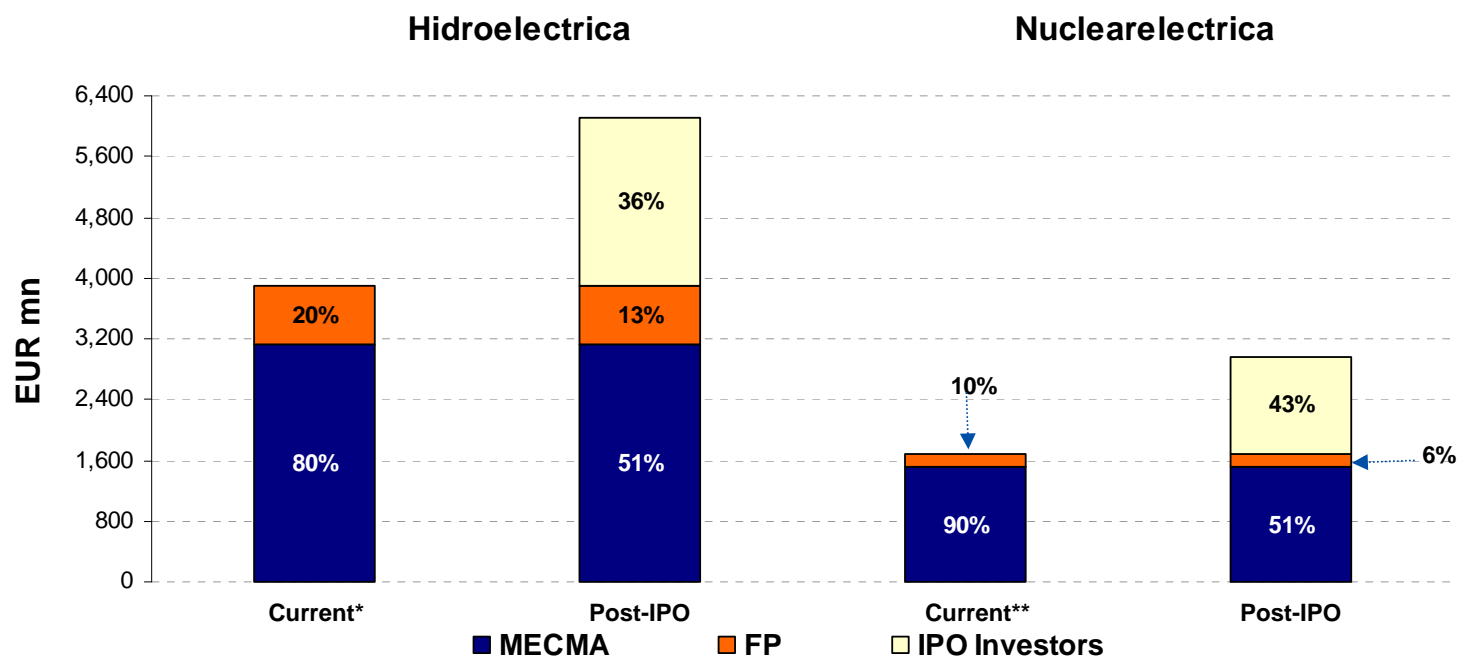


- CEZ was listed in 1995
- New management team was installed in early 2004
- New management was given stock option plan
- Average tenure of the executives: 4.8 years
- Average tenure of the directors: 3.9 years

Source: Bloomberg



Potential Proceeds from IPOs



Total proceeds from IPOs: **EUR 3.5 billion**

- Hidroelectrica: EUR 2.2 billion
- Nuclearelectrica: EUR 1.3 billion

*Hidroelectrica's NAV as at 28 February 2011: EUR 3,900 mn

** Nuclearelectrica's NAV as at 28 February 2011: EUR 1,674 mn

Lessons from across the borders

2010-11 Shares placements of the Polish government

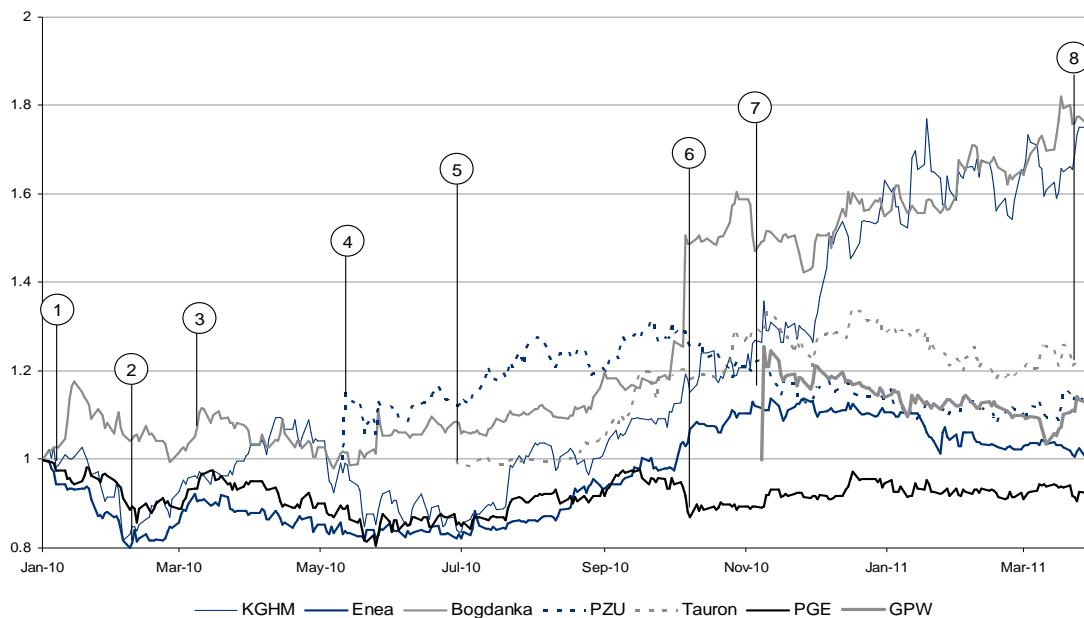
No.	Date	Company	Placement value (EURm)	Price per share (PLN)	Stake
1	8/1/2010	KGHM	516	103	10.00%
2	10/2/2010	Enea	255	16	14.40%
3	9/3/2010	Bogdanka	281	70.5	46.70%
4	12/5/2010	PZU	338	312.5	5.00%
5	30/06/10	Tauron	998	5.13	51.70%
6	8/10/2010	PGE	998	21.3	10.00%
7	9/11/2010	GPW	303	46	63.80%
8	22/03/11	Tauron	326	6.15	11.90%

Total

4,014

Source: ING, EURPLN=3.9922

2010-11 Key shares placements of the Polish government



Source: ING

LWB PW



LOTOS



Listing of state assets give alternative to debt financing/state budget



Inefficiency – a case study

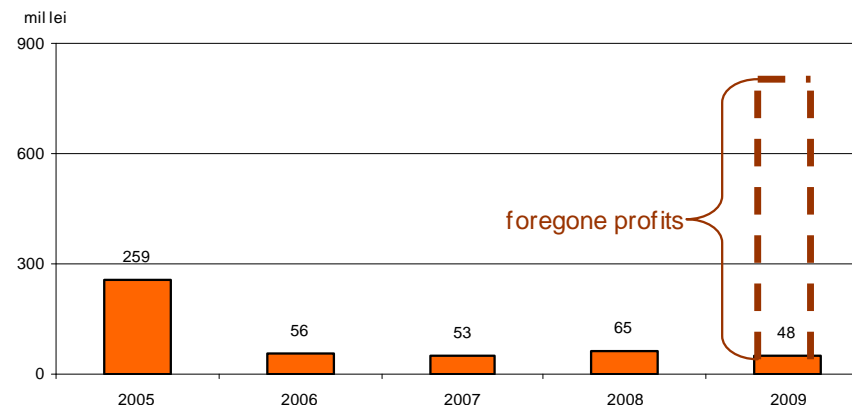
• In 2009, Hidroelectrica sold 11.7 TWh (77% of total energy produced) through bilateral contracts at an average selling price of cca. 102 lei/MWh = **foregone profits of 560m lei**

• In 2009, Hidroelectrica sold 3.4 TWh on the regulated market at an average price of 68 lei/MWh = **foregone profits 278m lei**

• In 2009 Hidroelectrica bought 2.4 TWh from thermo power plants at an average price of 198.6 lei/MWh = **total loss 115m lei**

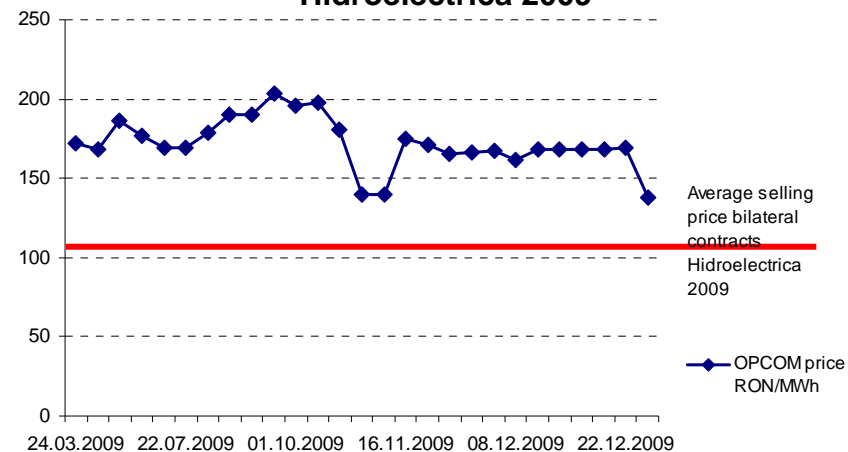
- assumed selling price of 150 lei/MWh
- 1 euro=4.2 RON

Hidroelectrica Net Income



Source: Company Reports

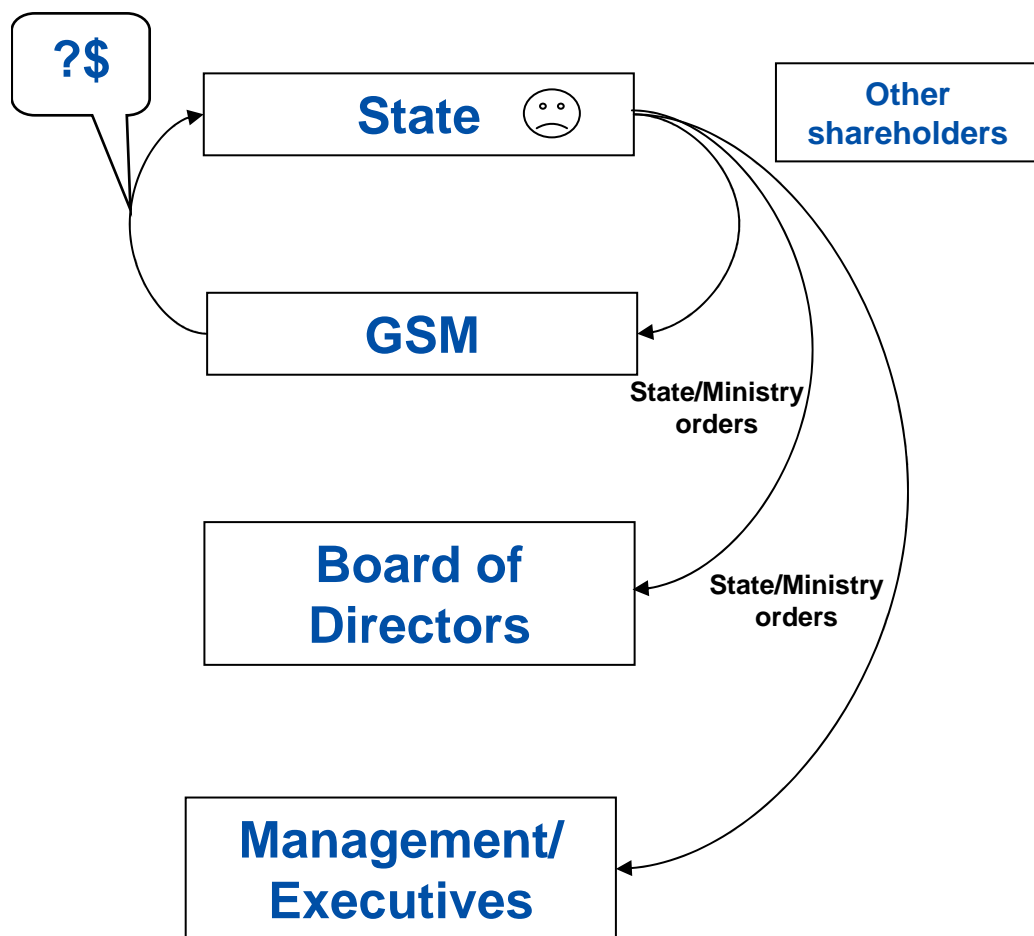
OPCOM market prices vs bilateral contracts
Hidroelectrica 2009



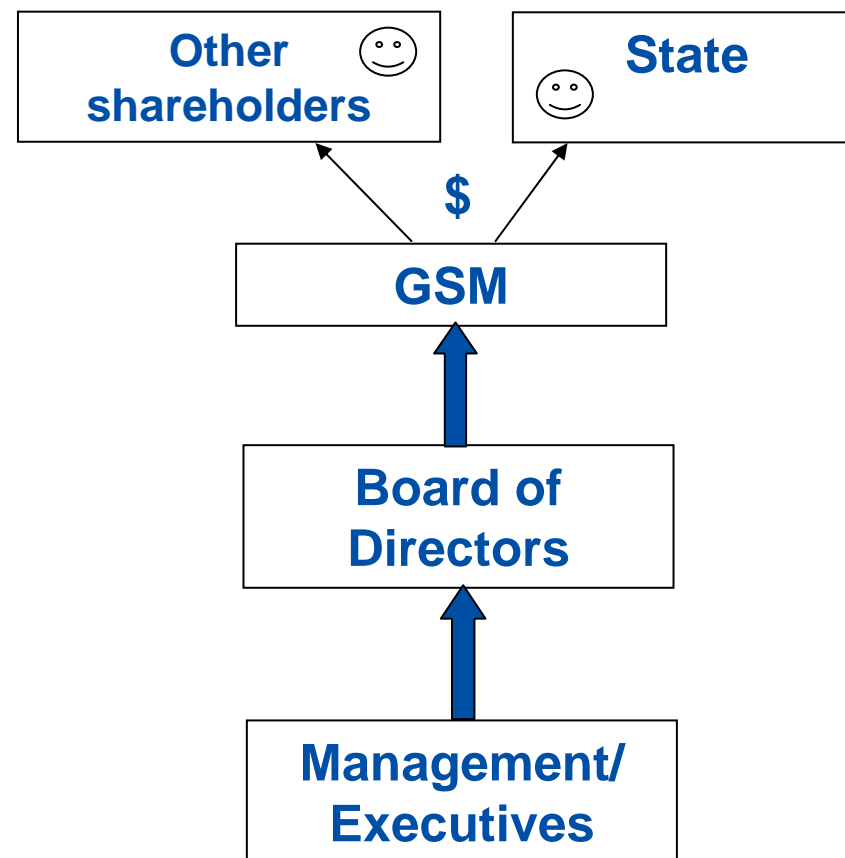
Source: OPCOM

Corporate governance

Current Corporate Governance Structure



Proper Corporate Governance Structure



Recommended Actions

- Appointment of professional management at SOEs (transparent selection process to be conducted with the help of a reputable international head-hunting agency + incentives)
- IPOs will provide financing for the investment plans without the government losing control
- BVB listings give liquidity for state holdings and offer alternative to debt financing
- Better corporate governance practices – follow OECD principles

The End



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