

To Bucharest Stock Exchange
Romanian National Securities Commission

The current report according to Art. 99 of the Rule book of the Bucharest Stock Exchange Market Operator, Title II, Issuers and Financial Instruments

Report date:	20 June 2012
Name of the issuing entity:	SC Fondul Proprietatea SA
Registered office:	78-80 Buzesti St., 7 th floor, district 1, Bucharest, 011017
Phone/fax number:	Tel.: + 40 21 200 9600; Fax: +40 21 200 9631
Sole Registration Code with the Trade Register Office:	18253260
Order number in the Trade Register:	J40/21901/2005
Subscribed share capital:	RON 13,778,392,208
Paid share capital:	RON 13,412,780,166
Regulated market on which the issued securities are traded:	Bucharest Stock Exchange

Important events to be reported: SC Fondul Proprietatea SA (“The Fund”) - Update regarding SC Hidroelectrica SA

Franklin Templeton Investment Management Ltd. United Kingdom Bucharest Branch (FTIML Bucharest Branch or the Fund Manager), in its capacity of Sole Administrator and Fund Manager of the Fund announces that the Bucharest Court admitted today the insolvency request for SC Hidroelectrica SA (“Hidroelectrica”), which was filed by the company on 15 June 2012. 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.

Following the admission of the insolvency request, the Bucharest Court has appointed EURO INSOL SPRL as interim judicial administrator.

The Court set the first Creditors’ Meeting on 29 August 2012 and also set 12 December 2012 as the date for further proceedings, when the judicial administrator will present, in summary, the measures undertaken.

According to Law 85/2006 on insolvency proceedings, a special administrator is to be appointed by the company’s General Shareholders Meeting, while a judicial administrator is to be appointed by the Creditors’ Meeting, replacing or confirming the interim judicial administrator already appointed by the Court.

The main duties of the special administrator are:

- to represent the company’s interests;
- to propose the reorganisation plan of the company’s activity to the judicial administrator;
- to manage the company’s activity, under the supervision of the judicial administrator, after the confirmation of the reorganisation plan.

The main duties of the judicial administrator are:

- to produce the final reorganisation plan of the company’s activity;
- to supervise the operations for the administration of the company’s assets;
- to manage the company’s activity;
- to bring to court actions for the cancellation of any fraudulent acts concluded by the company to the prejudice of the creditors’ rights;

- to preserve or denounce contracts concluded by the debtor;
- to verify the claims and, whenever necessary, to formulate objections to them, as well as to draw up the claim records.

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 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.

The Fund Manager would like to reiterate that it does not envisage any material impact from Hidroelectrica's insolvency proceedings on the corporate actions planned for this year, including the dividend payment, the buy-back programme and the proposed secondary listing on the Warsaw Stock Exchange.

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch, in capacity of Sole Administrator of S.C. FONDUL PROPRIETATEA S.A.

Grzegorz Maciej KONIECZNY

Legal Representative