

**To: Bucharest Stock Exchange
Financial Supervisory Authority**

The current report according to Art. 113 point A, paragraph (1) letter j) of the Romanian National Securities Commission Regulation no. 1/2006 regarding the issuers and the operations with securities, as subsequently amended and completed, as well as the provisions of art. 99 of the Code of the Bucharest Stock Exchange, Title II, Issuers and Financial Instruments.

Important events to be reported:

Legal action in court initiated in relation to the refusal by the National Securities Commission (“CNVM”) to endorse Addendum no. 2 to the Investment Management Agreement

Franklin Templeton Investment Management Ltd. United Kingdom Bucharest Branch (“FTIML / the Fund Manager”), in its capacity of sole administrator and fund manager of SC Fondul Proprietatea SA (the “Fund”), would like to inform shareholders that on 27 May 2013 the Fund initiated a legal action against the Financial Supervisory Authority (“FSA”), as the successor of the CNVM, in order to obtain endorsement of the Addendum no. 2 to the Investment Management Agreement. The claim has been registered with the Bucharest Court of Appeal under docket number 3819/2/2013.

As a reminder, Addendum no. 2 to the Investment Management Agreement was proposed by a major shareholder of the Fund and approved by the Fund’s shareholders with an overwhelming majority in the general shareholders meeting of 4 April 2012. The addendum refers to the payment of additional fees to the Fund Manager for any special distributions received by the Fund’s shareholders.

Importantly, the legal arguments raise a fundamental question for the Fund and its shareholders, namely on what grounds can the regulator legitimately withhold approval of decisions of the Fund’s shareholders, and thereby block them.

The legislation applicable to the Fund requires that shareholders’ decisions for the amendment of the Constitutive Act and the Investment Management Agreement should be

Report date:

28 May 2013

Name of the issuing entity:

S.C. Fondul Proprietatea S.A.

Registered office:

78-80 Buzesti St.,
7th floor, district 1,
Bucharest, postal code 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 13,412,937,506

Regulated market on which the issued securities are traded:

Bucharest Stock Exchange

presented to the CNVM prior to registration with the Trade Registry and, in April 2012, the Fund presented to the CNVM the Addendum no. 2 to the Investment Management Agreement, as approved by shareholders.

On 22 January 2013 the CNVM issued Decision 48 announcing that CNVM refused to endorse Addendum no. 2 to the Investment Management Agreement.

The Fund filed an appeal against this decision, registered with CNVM on 21 February 2013, setting out clear arguments, with advice from legal counsel, as to why the reasoning given by CNVM for refusing to endorse the decision has no legal grounds. The Fund's appeal was rejected by CNVM's Decision no. 374/25 April 2013.

The naming of FSA in the action was a necessary legal formality, as successor to CNVM, but the Fund Manager sincerely hopes to build a dialogue with the new FSA which will reach a satisfactory resolution to this issue, without need for the court's intervention. It was necessary to begin this legal action at the present time in order to avoid the risk of the Fund losing legal rights through the lapsing of time, in case such a conclusion cannot be reached.

The Fund Manager wishes to take this opportunity to repeat its commitment to building a constructive dialogue with the authorities and to ensuring that the rights of the Fund's shareholders are respected.

Franklin Templeton Investment Management Ltd. United Kingdom Bucharest Branch, acting as Sole Administrator on behalf of S.C. FONDUL PROPRIETATEA S.A.

Oana Valentin Truța
Legal Representative