



CONVENING NOTICE

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, in its capacity as sole administrator of S.C. FONDUL PROPRIETATEA S.A., a joint-stock trading company having headquarters in Bucharest, 78-80 Buzesti Street, 7nd floor, registered with the Trade Register under number J40/21901/2005, tax registration code 18253260 (hereinafter referred to as the “**Company**”),

Considering,

- The provisions under art.12 and art.13 of the Company’s Constitutive Act;
- The provisions of Law no. 31/1990, as republished, as subsequently amended and supplemented, and the provisions under art. 147-158 of the Regulations no. 15/2004 on the authorization and operation of investment companies, undertakings for collective investments and depositaries, issued by the National Securities Commission;

Hereby convenes:

- I. The Extraordinary General Meeting of Shareholders (EGMS) of S.C. Fondul Proprietatea S.A. for November 29, 2010, hour 12.00, at Radisson Blu Hotel – Atlas 2 Room, 63-81 Calea Victoriei, District 1, Bucharest.**
- II. The Ordinary General Meeting of Shareholders (OGMS) of S.C. Fondul Proprietatea S.A. for November 29, 2010, hour 13:00, at Radisson Blu Hotel – Atlas 2 Room, 63-81 Calea Victoriei, District 1, Bucharest.**

The right to attend and vote in the EGMS and OGMS belongs to all shareholders recorded in the Company’s shareholders’ register held by S.C. Depozitarul Central S.A. at the end of the day of November **12, 2010** – considered the “**reference date**”.

The Agenda of the Extraordinary General Meeting of Shareholders is the following:

- 1. Change of paragraph 17 article 17 from Constitutive Act, as follows:**



- “(17) Recommends to the general assembly of the shareholders the termination of the management agreement if the Body of Nominees considers that is to the benefit of shareholders.”
2. **Change of paragraph 19 of article 17 from Constitutive Act, as follows:**
“(19) Recommends to the extraordinary general assembly of the shareholders, based on the Fund Manager’s proposal, the appointment of the public offer intermediary, as well as on the intermediary’s remuneration, when it becomes necessary that such a company be appointed in relation to the admission to trading of Fondul Proprietatea.”
 3. **Approval of the new Constitutive Act of S.C. Fondul Proprietatea S.A.** The new Constitutive Act has all the modifications from September 6, 2010, meeting and the present meeting and the content is set out in Appendix 1 of the present Convening notice.
 4. **Approval of cancellation of Fondul Proprietatea Inc working point/branch** from 15 Victoriei Road, E entry, 2 Floor, District 3, Bucharest.
 5. **Approval of the establishment of date December 15, 2010 as registration date**, according to the provisions under art. 238 paragraphs (1) of Law no. 297/2004 on the capital market as subsequently amended and supplemented.
 6. **Approval of the authorization of the legal representative of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch**, to sign the decisions of the extraordinary general meeting of shareholders, as well as any other documents related to the meeting and to perform all procedures and formalities provided by law in order to fulfil the decisions of the Meeting, including the formalities of publication and recording of the decisions of the Meeting with the Trade Register Office and with any other public institutions. The person authorized by the Meeting shall have the right to delegate this power to any persons it deems appropriate.

The Agenda of the Ordinary General Meeting of Shareholders is the following:

1. **Approval of Fondul Proprietatea revenue and expenses for the year 2011** (the budget proposal is set out in Appendix 2 of the present Convening notice).
2. **Financial auditor appointment, fixing the validity of audit agreement for a maximum period of 12 months, establishment of financial auditor remuneration levels for current financial year; (the remuneration shall be mentioned in financial audit services agreement).**
3. **Establishment of maximum additional remuneration for members of the Body of Nominees.**
4. **Information regarding listing procedure of S.C. Fondul Proprietatea S.A.**
5. **Approval of the establishment of the date of December 15, 2010 as registration date**, according to the provisions under art. 238 paragraph (1) of



Law no. 297/2004 on the capital market as subsequently amended and supplemented.

- 6. Approval of the authorization of the legal representative of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch,** to sign the decisions of the ordinary general meeting of shareholders, as well as any other documents related to the meeting and to perform all procedures and formalities provided by law in order to fulfil the decisions of the Meeting, including the formalities of publication and recording of the decisions of the Meeting with the Trade Register Office and with any other public institutions. The person authorized by the Meeting shall have the right to delegate this power to any persons he/she deems appropriate.

If the legal requirements necessary to hold the meetings on the date of first convening thereof are not fulfilled, a new general meeting shall be convened for December 13, 2010, at 12:00 for the EGMS and for December 13, 2010, at 13:00 for the OGMS. In the case of a new convening, the date of November 12, 2010 established to identify the shareholders entitled to participate to and vote in the Meeting remains the same. The sessions of the two meetings shall take place at the same address in **63-81 Calea Victoriei, District 1, Bucharest.**

According to the provisions of article 117 paragraph 1 of Law no. 31/1990 and the provisions under article 13 paragraph 5 of the Company's Constitutive Act, one or several shareholders, representing, individually or collectively, at least 5% of the Company's share capital, may request by a letter addressed to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, the introduction of additional items on the agenda within at most 15 calendar days as of the convening notice's publication.

As of November 12, 2010, the informative materials regarding the items on the agenda which are not included in this Convening Notice shall be available daily at the headquarters of S.C. Fondul Proprietatea S.A., Monday to Friday, between 09.00-17.00, as well as on the Company's official web page, www.fondulproprietatea.ro. The Company's shareholders may obtain, upon request, copies of the documents regarding the items on the Meeting's agenda.

The shareholders registered in the shareholders register on the reference date may attend the Meeting in person, by correspondence or through a representative.

If one or several shares are owned by several people, they are bound to appoint a common representative to exercise the rights corresponding to the shares.



The access of shareholders entitled to attend the Meeting is allowed by the simple proof of their identity, made in the case of shareholders who are private individuals by their identity document and in the case of legal entities based on the presentation of a copy of the registration certificate or of an equivalent document and of the identity document of the legal or appointed representative, as applicable, as well as of the documents which attest the capacity of the legal representative of the legal person, namely of the special power of attorney (by filling in the form made available by the Company) and of the documents which attest the capacity of the legal representative of the legal person who is the signatory of that power of attorney (if he does not attend the Meeting, the legal representative of the Company). The capacity as legal representative shall be proven by presenting an ascertaining certificate issued by the Trade Register Office (or by the Register of Trading Companies from the resident country of the shareholder who is a foreign legal entity), in the original counterpart, issued at most 7 days – or 30 days for non-resident companies – before the date of first convening of the GMS. Any documents submitted in a foreign language (except for identity documents valid in Romania) shall be accompanied by the legalized translation thereof into Romanian. In the case of private individuals who are collective shareholders, a deed shall be submitted, through which a single representative was appointed, and copies of the identity documents of the shareholders, and the signatories shall undertake full and exclusive liability for their capacity as shareholders and for the authenticity of their signature;

The representation of the shareholders in the Meeting can be made through a special power of attorney, issued under the observance of applicable provisions, through the adequate filling in of the form made available by the Company which shall be submitted in the original counterpart at the company's seat by November 26, 2010. A shareholder may appoint another shareholder or a third party to represent them at the GMS. Shareholders without legal capacity to exercise shareholder rights themselves may grant a special power of attorney to other persons to do so on their behalf. The Company's representatives will not accept any powers of attorney to represent shareholders which are presented for the first time on the day of the Meeting. The forms for special powers of attorney shall be available as of November 12, 2010, at the same address and under the same conditions as the aforementioned informative materials. The power of attorney form shall be completed in three counterparts: one for the shareholder, one for the representative and one for the Company. The counterpart of the power of attorney for the Company shall be submitted in original to the Company's seat by November 26, 2010 subject to the loss of exercise of the right to vote in the Meeting.

According the provisions under article 14 paragraph 12 of the Company's Constitutive Act, the shareholders may exercise their voting right by correspondence. The forms for



voting by correspondence shall be made available to the shareholders as of November 12, 2010 at the same address and under the same conditions as the informative materials and the forms of special power of attorney. Votes sent by correspondence shall be taken into account if registered in original counterpart with the Company by November 26, 2010. The votes of the shareholder shall be sent by registered letter to S.C. Fondul Proprietatea S.A. headquarters in a clear and concise form, containing the note “for”, “against” or “abstaining” for each item subject to voting. The informative materials made available to the shareholders shall present in detail the procedure and the rules established by the competent body of the Company regarding the Meetings, the exercise of the voting right, the vote by correspondence (which shall mention, *inter alia*, the means of identification of the capacity of shareholder and the number of shares held by the people who exercise the vote by correspondence), and the shareholders shall be bound to observe this procedure in order for the votes in question to be deemed valid. The centralization, the verification and the recordkeeping of the votes by correspondence, as well as the verification and validation of the powers of attorney submitted shall be made by a commission established within the Company, and the members of such commission shall safeguard the documents, and shall maintain confidentiality over the votes cast, until the items on the agenda are submitted for voting.

Grzegorz Konieczny

Legal representative

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, acting as sole director of S.C. FONDUL PROPRIETATEA S.A.



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CONSTITUTIVE ACT OF THE COMPANY "FONDUL PROPRIETATEA" S.A

CHAPTER I

Name of the company, legal form, headquarters and duration

ARTICLE 1

Name of the Company

- (1) The name of the Company is "Fondul Proprietatea" - S.A.
- (2) All invoices, offers, orders, tariffs, prospectuses and other documents used in business, issued by the Company shall indicate the name, the legal form, the registered office, the registration number with the Commercial Registry and the sole registration code (CUI), the subscribed share capital, and the paid share capital with the mention "investment company of the closed – end type".

ARTICLE 2

Legal form of the company

- (1) "Fondul Proprietatea" - S.A., hereinafter referred to as Fondul Proprietatea, is a Romanian legal person, set up as a joint-stock company.
- (2) Fondul Proprietatea is organized, operates and ceases its activity under the provisions of Law No. 247/2005 on property and justice reform, and additional measures, as further amended and completed, of Law No. 297/2004 on the capital market, as further amended and completed, and of Company Law No. 31/1990, republished, as further amended and completed.



- (3) Fondul Proprietatea is set up as an undertaking for collective investment (A.O.P.C.), of the closed-end-type, as defined by Art. 114(1) letter b) of Law No. 297/2004, as further amended and completed.

ARTICLE 3

Company headquarters

- (1) The registered office of Fondul Proprietatea is located in Bucharest, 78-80 Buzesti Street, floor 7th, Sector 1; the headquarters may be changed to any other location in Romania, by decision of the asset management company (Fund Manager), according to article 21 paragraph (3) xii).
- (2) The Company may set up secondary headquarters such as branches, representative offices, working points or other units with no legal personality, under the terms provided by law.

ARTICLE 4

Company duration

The duration of Fondul Proprietatea is unlimited.

CHAPTER II

Purpose and business object of the company

ARTICLE 5

Company purpose

The purpose of Fondul Proprietatea is the management and administration of the portfolio.

- **ARTICLE 6**

Business object



- (1) Fondul Proprietatea has as main object of activity the management and administration of the portfolio.
- (2) The main domain of activity of Fondul Proprietatea is the one described by CAEN Code 643 – mutual funds and other similar financial entities, and the main activity is financial investments - CAEN Code 6430.
- (3) The business object of Fondul Proprietatea is the following:
 - (a) management and administration of the portfolio;
 - (b) other additional and adjacent activities, according to the regulations in force.

CHAPTER III

Share capital, shares

ARTICLE 7

Share capital

- (1) The share capital of Fondul Proprietatea is in amount of Lei **13.778.392.208**, divided in **13.778.392.208** ordinary, nominative shares, having a face value of Leu 1 each. The capacity as shareholder of Fondul Proprietatea is attested by a statement of account issued by the Central Depository.
- (2) The identification data of each shareholder, the contribution to the share capital of each shareholder, the number of shares to which a shareholder is entitled to and the participation quota out of the total share capital are included in the shareholders' register kept by a computerized system by the Central Depository.

ARTICLE 8

Share capital increase and decrease

- (1) The extraordinary general assembly of the shareholders shall decide, under the conditions of the law, on the share capital increase and decrease of Fondul Proprietatea, in accordance with the provisions of art. 12(3) letter c) and d) of this constitutive act.



- (2) The share capital may be increased, in accordance with the provisions of the law, by:
 - (a) by issuing new shares in exchange for cash contributions;
 - (b) incorporating reserves, except for the legal reserves and of the reserves created out of the re-evaluation of the patrimony, as well as of the benefits and issuing premiums.
- (3) The share capital increase stated for in para. (2) shall be registered at the Trade Register Office, on the basis of the decision made by the General Assembly of the Shareholders of Fondul Proprietatea,
- (4) Any share capital decrease shall be performed in accordance with the provisions of the law.
- (5) The share capital may be decreased by:
 - (a) decreasing the number of shares;
 - (b) decreasing the nominal value of shares; and
 - (c) other means provided by the law.
- (6) In case the Fund Manager notices that, due to accrued losses, the amount of the net assets, established as the difference between the total assets and total liabilities of Fondul Proprietatea, is less than half of the value of the subscribed share capital, Fund Manager is bound to call the extraordinary general assembly of the shareholders, which will decide if Fondul Proprietatea requires to be dissolved. In case the extraordinary general assembly of the shareholders does not decide the dissolution of Fondul Proprietatea, then Fondul Proprietatea is bound to proceed, at the latest until the termination of the fiscal year subsequent to the one in which the losses were determined, to a share capital decrease with an amount at least equal to that of the losses which could not be covered by reserves, in case in this time the net assets of Fondul Proprietatea were not reconstituted up to a value at least equal to half of the share capital.
- (7) Share capital decrease shall be performed only after two months as of the publication in the Official Gazette of Romania, Part IV, of the resolution of the extraordinary general assembly of the shareholders.



ARTICLE 9

Shares

- (1) The shares of Fondul Proprietatea are nominative, of equal value, issued in dematerialized form, established by registration in the account, and grants equal rights to their holders under the conditions provided by art. 11.
- (2) The nominal value of a share is Leu 1.
- (3) The shares are indivisible with respect to Fondul Proprietatea, acknowledging only one holder for each share. In case a share becomes the property of more persons, Fondul Proprietatea / the Central Depository is not bound to register the transfer as long as those persons will not appoint a sole representative to exercise the rights arising from the share.
- (4) The partial or total transfer of the shares amongst the shareholders or third parties is done according to the terms, conditions and procedure provided by law.
- (5) Fondul Proprietatea may buy back their own shares in accordance with the conditions laid down in legislation in force.
- (6) The right to dividends are held by the shareholders registered in the shareholders' register, according to the provisions of Law No. 297/2004, as further amended and completed, as well as the regulations issued for the implementation thereof.

ARTICLE 10

Bonds

Fondul Proprietatea is authorized to issue bonds in accordance with the provisions of the law. Fondul Proprietatea is not allowed to conclude loan agreements for investment reasons.

ARTICLE 11

Rights and obligations arising from shares



- (1) Each share fully paid by the shareholders, according to the law, grants them the right to vote in the general assembly of the shareholders, according to the provisions of paragraph (2), the right to elect and to be elected in the management bodies, the right to take part in the profit distribution, according to the provisions of this constitutive act and the legal dispositions, respectively other rights provided by the constitutive act.
- (2) The shares issued by Fondul Proprietatea grant the right to vote, subject to the following conditions:
 - (a) in case of a participation held by a shareholder, of up to 1%, included, of the paid share capital of Fondul Proprietatea, each share grants one voting right;
 - (b) in case of a participation held by a shareholder, of up to 3%, included, of the paid share capital of Fondul Proprietatea, shares up to 1%, included, of the paid share capital of Fondul Proprietatea, each grants a voting right, and the shares between 1% and 3%, included, two shares grants one voting right;
 - (c) in case of a participation held by a shareholder, of up to 5%, included, of the paid share capital of Fondul Proprietatea, shares up to 1%, included, of the paid share capital of Fondul Proprietatea, each grants a voting right, shares between 1% and 3%, included, two shares grant a voting right, and shares between 3% and 5%, included, 3 shares grants one voting right;
 - (d) in case of a participations held by a shareholder, of over 5% grant voting right as follows: shares of up to 1%, included, of the paid share capital of Fondul Proprietatea each grant the right to one vote, shares between 1% and 3%, included, two shares grants one vote, shares between 3% and 5%, included, 3 shares grants one voting right, and the shares over 5% do not grant voting right.
- (3) The provisions of paragraph (2) shall not apply to the Ministry of Public Finance.
- (4) Subsequent to the date when the participation of the state falls under 33% of the paid share capital of Fondul Proprietatea, the shareholders may decide regarding the quorum and the right to vote according to the number of shares, observing the common law provisions in this matter.
- (5) Holding one share implies the rightful adhesion to this constitutive act.



- (6) The rights and obligations follow the shares in case property thereof passes to another person.

CHAPTER IV

General assembly of the shareholders

ARTICLE 12

General assemblies of the shareholders

- (1) The general assembly of the shareholders may be ordinary and extraordinary.
- (2) The ordinary general assembly of the shareholders has the following competencies, duties and functions:
- (a) to discuss, approve and amend the annual financial statements after reviewing the reports of the Fund Manager, financial auditor and internal auditors;
 - (b) to establish the distribution of the net profit and to establish the dividends;
 - (c) to appoint the members of the Body of Nominees (“CR”) and to cancel their appointment;
 - (d) to appoint the Fund Manager, on the basis of the outcome of the selection made subsequent to a tender for appointing the Fund Manager, and to cancel its appointment;
 - (e) to appoint and cancel the appointment of the financial auditor and to set the minimum duration of the financial audit agreement;
 - (f) to set the level of the remuneration of the members of the Body of Nominees, the Fund Manager and of the financial auditor for the ongoing fiscal year; for the Fund Manager and the financial auditors the remuneration being stated for in the Management Agreement and, respectively, the Financial Audit Services Contract
 - (g) to rule over the management of the Fund Manager and to evaluate his/her performances and to discharge him/her from its management,



- (h) to decide on the action in a court of law against the Fund Manager or, as the case may be, against the financial audit, for damages caused to Fondul Proprietatea;
 - (i) to establish the strategies and the development policies of Fondul Proprietatea;
 - (j) to establish the annual income and expenditure budget and, as the case may be, the business programme for the following financial year;
 - (k) to decide upon the pledge, lease or the creation of the movable securities or mortgages on the assets of Fondul Proprietatea;
 - (l) to decide on any other aspects regarding Fondul Proprietatea, according to the legal duties.
- (3) The extraordinary general assembly of the shareholders is entitled to decide on the following:
- (a) set-up or closing of some secondary units: branches, agencies, representative offices or other such units with no legal personality;
 - (b) share capital increase;
 - (c) share capital decrease or re-completion thereof by issuing new shares;
 - (d) conversion of shares from one category to another;
 - (e) conversion of a category of bonds to another category or to shares;
 - (f) issue new bonds;
 - (g) approves the admission for trading and nominates the regulated market on which the shares of Fondul Proprietatea will be traded;
 - (h) execution of any agreement / legal documents which may create binding obligations to Fondul Proprietatea including, without limitation to, agreements for purchase, sale or exchange or creation of encumbrances of the assets which exceeds 5% of the asset value of the Fondul Proprietatea portfolio (calculated according to the rules issued by CNVM);
 - (i) change of the management system of Fondul Proprietatea;



- (j) limitation or cancellation of the preference right of the shareholders;
- (k) any other amendment of the constitutive act or any other resolution requiring the approval of the extraordinary general assembly of the shareholders, according to applicable law or to this Constitutive Act.

ARTICLE 13

Summoning the general assembly of the shareholders

- (1) The general assembly of the shareholders is called by the Fund Manager whenever required. Prior to the convocation of the general assembly of the shareholders, the Fund Manager shall communicate to the Body of Nominees the intention to call the general assembly and shall introduce on the list of matters for the meeting all matters requested by the Body of Nominees.
- (2) The ordinary general assembly of the shareholders meets at least once a year, within 4 months from the end of the financial year.
- (3) The date of the assembly may not be less than 30 days from the publication of the convocation in the Official Gazette of Romania, Part IV.
- (4) The general assembly of the shareholders, either ordinary or extraordinary, shall be called whenever required, according to the legal provisions in force and with the dispositions of the constitutive act, by publication of the calling notice in the Official Gazette of Romania, Part IV, and a national daily newspaper or in a local newspaper largely read in the locality where the HQ of the company resides at least 30 days prior to the proposed date of assembly.
- (5) One or more shareholders, individually or jointly, representing at least 5% of the share capital of Fondul Proprietatea, may request the Fund Manager by a written address signed by the holder(s) to introduce in the agenda new matters, within 15 days of the publication of the calling notice.
- (6) The calling notice, any other matter added to the agenda at the request of the shareholders or of the Body of Nominees, the annual financial statements, the annual report of the Fund Manager, the report of the Body of Nominees as well as the proposal to distribute dividends are made available to the shareholders, at the headquarters of Fondul Proprietatea at the date of convocation of the general assembly, and are also published on the internet page, for free access to



- information by the shareholders. Upon request, copies of these documents shall be issued to the shareholders.
- (7) The calling notice includes the place, hour and date of the general assembly of the shareholders, as well as the agenda, expressly mentioning all matters that will be subject to debate. Upon calling the general assembly of the shareholders the provisions of art. 147-158 of Regulation No. 15/2004 regarding the authorisation and functioning of investment management firms, collective investment undertaking and depositories, approved by Order of the president of the National Securities Commission No. 67/2004, as further amended, shall apply.
 - (8) In case the agenda includes proposals to amend the constitutive act, the notice shall include the full text of the proposals. In case the agenda includes the appointment of the members of the Body of Nominees, the notice shall mention that the list including information regarding the name, the residence and professional training of the persons proposed for the position of member of the Body of Nominees is available to the shareholders, to be further reviewed and completed by shareholders.
 - (9) The notice for the first general assembly of the shareholders must set the day and hour of the second meeting, having the same agenda as the first, in order to cover the situation in which the first meeting can not take place due to non-attendance of the required quorum.
 - (10) The general assembly of the shareholders shall meet at the headquarters of Fondul Proprietatea or in another place indicated in the notice.
 - (11) The Body of Nominees may request to the Fund Manager the calling of the general assembly, and if the Fund Manager does not observe the written request of the Body of Nominees within 5 working days from receiving it, the Body of Nominees may call upon the general assembly of the shareholders by following the same procedures as set out in this Article.
 - (12) The chairperson of Body of Nominees may request to the Fund Manager the calling of the general assembly according to article 16 paragraph (4) second sentence.
 - (13) The Fund Manager immediately call the general assembly of the shareholders, upon written request of the shareholders, individually or jointly, representing at least 5% of the share capital, in case the request includes dispositions that fall under the responsibility of the general assembly of shareholders.



- (14) In the case provided by paragraph (13), the general assembly of the shareholders shall be called within at most 30 calendar days and shall meet within at most 60 calendar days as of the date when the Fund Manager received the request of the shareholders.
- (15) In the situation provided by paragraphs (13) and (14), in case the Fund Manager does not call the general assembly of shareholders, the shareholders who requested the calling of the general assembly may request the same to the Body of Nominees. Should the Body of Nominees is also not responding to their request in 10 working days from the receipt of the request, the court of law from the headquarters of Fondul Proprietatea, by summoning the Fund Manager, may authorize the calling of the general assembly by the shareholders which formulated the request.

ARTICLE 14

Organization of the general assembly of the shareholders

I. Quorum and voting rights

- (1) Upon the first calling, for the validity of the deliberations of the ordinary general assembly of the shareholders it is required that the shareholders representing at least a fourth of the total voting rights to attend. The decisions of the ordinary general assembly of the shareholders are taken with the majority of votes. The decision of the ordinary general assembly of the shareholders regarding the cancelation of the appointment of the members of the Body of Nominees and of the Fund Manager are taken with a majority of at least two thirds of the number of votes attending or being represented.
- (2) In case the ordinary general assembly of the shareholders cannot operate *due to lack of quorum under* paragraph (1), the meeting that will meet upon a second convocation may deliberate on the items included in the agenda of the first meeting, irrespective of the met quorum, taking decision by majority of the expressed votes.
- (3) For the validity of the deliberations of the extraordinary general assembly of the shareholders the following are required:
- (a) upon the first convocation, the attendance of the shareholders representing at least a fourth of the shares having voting rights, and the decisions are



taken with majority of votes held by the shareholders attending or being represented;

- (b) upon the second convocation, the general assembly of the shareholders may deliberate on the items included in the agenda of the first meeting in the presence of the shareholders representing at least one fifth of the total number of the shares having voting rights, taking decisions by majority of votes held by the shareholders attending or being represented.
- (4) For the validity of the deliberations of the extraordinary general assembly of the shareholders to adopt a decision regarding the share capital increase, the share capital decrease, anticipated dissolution of Fondul Proprietatea, made under the conditions of the law, the attendance of the shareholders representing at least 50% of the total number of the voting rights, both at the first and the second convocation, is required.
- (5) The decision to amend the main business object of Fondul Proprietatea, to decrease or increase the share capital, to change the legal form, to merge, de-merge or dissolve, is taken with a majority of at least two thirds of the voting rights related to the shares having voting rights of the shareholders attending or being represented.

II. Procedure of the meetings

- (6) On the day and hour established in the convocation, the general assembly of the shareholders shall be opened by the permanent representative of the Fund Manager or, in its absence, by the one holding its place. The members of the Body of Nominees shall participate at the meetings, as well.
- (7) The general assembly shall elect, from amongst the attending shareholders, 1 up to 3 secretaries, who will check the attendance list of the shareholders, indicating the share capital represented by each of them, the minutes drawn up by the technical secretary to determine the number of the submitted shares and the fulfilment of the formalities requested by law and by the constitutive act for holding the general assembly of the shareholders.
- (8) A minute of the meeting, signed by the president and by Secretaries, shall determine the fulfilment of the calling formalities, the date and place of the general assembly of the shareholders, attending shareholders, the members of the Body of Nominees present, the number of shares, a summary of the debates, the



- decisions taken, and upon request of the shareholders, the statements made thereby in the meeting.
- (9) The documents referring to the convocation, the list of attending as well as, as the case may be, the powers of attorney of the representatives of the shareholders shall be attached to each minutes.
 - (10) The permanent representative of the Fund Manager may appoint, from amongst the employees of Fund Manager, one or more technical secretaries, to fulfil their duties according to the legal provisions.
 - (11) The decisions of the general assemblies of the shareholders are drawn-up based on the minutes and is signed by the permanent representative of the Fund Manager or by a person appointed thereby. The minutes shall be recorded in the general assemblies of the shareholders' register.
 - (12) Considering the extremely large number of shareholders of Fondul Proprietatea, which circumstance basically makes impossible to meet all of them in the general assembly of the shareholders, as supreme management body, the shareholders may participate in person, by proxy with a special power of attorney; the form of the power of attorney and the terms for attending shall be set by the Fund Manager, according to the norms issued by the National Securities Commission and are made available to the shareholders, or may express their voting right by correspondence.
 - (13) Considering the introduction of the voting right by correspondence, which right may be exercised and it is recommended to be exercised by any of the shareholders, the statutory quorum that needs to be met for the valid holding of any type of general assembly of the shareholders is calculated by including the votes deemed validly sent by correspondence.
 - (14) Also in the case of the vote by correspondence, each shareholder is entitled to pronounce himself in writing, with respect to the issues included in the agenda, casting a vote "for", "against" or "abstained". The expressed votes that are not cancelled are considered.
 - (15) All shareholders who, at the reference date, are registered in the shareholders' register, kept according to the law, have the right to participate to the general assemblies of the shareholders.



- (16) In order to ensure the effective and real possibility of all shareholders to be informed on the contents of the documents and the proposals of the ones requiring the organization of the general assembly of the shareholders, by care of the Fund Manager, such will be available, at the headquarters of Fondul Proprietatea, as well as on the internet page of Fondul Proprietatea, at least 20 days prior to the date provided for holding the meeting. In the case the calling of the general assembly is made by the Body of Nominees, the Fund Manager has the obligation to fulfil all the above mentioned formalities at the request of the Body of Nominees. In case the communication with the shareholder is not realised in this way, for objective reasons, the Body of Nominees may announce in the calling notice a different address than the registered address of Fondul Proprietatea, where the above mentioned documents will be made available to the shareholders.
- (17) In the ads informing on the convocation of the general assembly of shareholders of Fondul Proprietatea it will be indicated, by the Fund Manager the reference date in relation to which the shareholders will be entitled to participate and vote. Also, the date until when the shareholders may send their votes, as well as the procedure for voting by correspondence, regarding any of the issues subject to approval shall also be set. If the calling of the general assembly is made at the request of the Body of Nominees the above mentioned duties shall be fulfilled by the Body of Nominees. The deadline until when votes by correspondence may be registered at least 5 working days subsequent to the date of publication of the informative material and is prior to the convocation date of the general assembly of the shareholder by at least 48 hours.
- (18) The votes of the shareholders sent by registered letter at the headquarters of Fondul Proprietatea, in a clear and precise form, containing the mention "for", "against" or "abstained" to each issue subject to approval.
- (19) The votes transmitted by mail shall be cancelled if they do not observe the procedure set by the Fund Manager drawn up according to the National Securities Commission regulations and such votes will not be taken into consideration in calculating the attending quorum.

III. Exercising the voting right in the general assembly of the shareholders

- (20) The shareholders may be represented in each general assembly by other shareholders or by third parties subject to evidence that voting authority has been delegated by the shareholder for that particular general assembly.



- (21) The decisions of the general assemblies of the shareholders are taken by open vote, except for the cases the law or this constitutive act does not provide differently.
- (22) Only the shareholders registered in the company shareholders' register at the reference date established by the Fund Manager or the Body of Nominees, as the case may be, when calling the general assembly of the shareholders shall be entitled to participate to the meeting and vote after proving their identity.
- (23) Secret vote is compulsory for electing and revoking the Fund Manager, the members of the Body of Nominees, the financial auditors and for taking some measures/decisions regarding the liability of the Fund Manager or of the members of the Body of Nominees and of the financial auditors of Fondul Proprietatea.
- (24) The following procedures referring to the secret vote shall apply in the compulsory cases, for ensuring the secrecy of voting in the general assembly of shareholders:
 - (a) the technical secretaries of the general assembly of the shareholders shall hand each shareholder a voting bulletin indicating the number of shares thereof and instructions regarding the means of voting;
 - (b) each shareholder shall vote by filling in the voting bulletin and submitting it to the secretaries of the general assembly of the shareholders, who will count the voting bulletins and shall communicate the result of the voting.
- (25) The decisions of the general assembly of the shareholders are binding for all shareholders, even for the absent shareholders or who voted against or abstained.
- (26) The shareholders who do not have capacity to act, as well as the legal entities may be represented by their legal representatives who, in their turn, may grant power of attorney to other persons for that particular general assembly of the shareholders.

CHAPTER V

The Body of Nominees



ARTICLE 15

Organisation

- (1) The ordinary general assembly of the shareholders shall appoint the Body of Nominees, formed of 5 members, and shall establish their remuneration..
- (2) Any shareholder will have the right to make proposals on the members of the Body of Nominees The members of the Body of Nominees may be shareholders of Fondul Proprietatea or other persons designated by the shareholders and they must have the proper experience and knowledge in order to be able to receive the Fund Manager reports and of the consultants and, based on the information received, judge the merits of the management of Fondul Proprietatea within the limits of the objectives and principles set by the investment policy as well as by the applicable laws and regulations. Also, the members of the Body of Nominees have to be qualified properly in order to decide (if there is need with the support of an independent consultant) if the transactions proposed by the Fund Manager needing the approval of the Body of Nominees are made to the advantage of the shareholders. .
- (3) The mandate of the members of the Body of Nominees is of 3 years, period to be extended by right, until the first meeting of the General Assembly of the Shareholders, when a decision may be taken on their mandate even if such an item is not on the meeting regular agenda.
- (4) The Body of Nominees elects from amongst its members a chairman of the Body.

ARTICLE 16

Functioning

- (1) The meetings of the Body of Nominees are held at least once every quarter, however they may be called upon whenever needed. The call for the meeting of the Body of Nominees is made by the chairman, any of its members or upon the request of the Fund Manager. The Body of Nominees shall meet in at most 7 days as of the calling.



- (2) The Chairperson of the Body of Nominees or, during his absence, a member of the Body of Nominees appointed through vote by the other members to chair the meeting, ensures the proper development of the meetings. The meetings of the Body of Nominees shall be held at the HQ of Fondul Proprietatea.

- (3) The Body of Nominees takes valid decisions provided the absolute majority of its members. The members of the Body of Nominees may be represented to the meetings of the Body of Nominees only by other members of the Body of Nominees on the basis of a special written empowerment, presented in its original form at the beginning of the meeting. One member of the Body of Nominees may represent only one absent member. The decisions of the Body of Nominees shall be taken with the absolute majority of the votes of its members and are signed by all the members which participated to the meeting. If some of the members of the Body of Nominees have been represented, the empowerment will be annexed to the minute of the meeting.

(4) If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision, the chairperson of the Body of Nominees shall give notice for a second meeting of Body of Nominees, having the same agenda as the first, in order to discuss this agenda. If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision for three consecutive times, the chairperson of the Body of Nominees shall ask Fund Manager to convoke the general assembly of the shareholders in order to properly decide on the respective decisions; in case that Fund Manager does not convoke it, any of the members of the Body of nominees will be in his right to convoke the general assembly.

(5) In case of vacancy of the seat of one or more members of the Body of Nominees, the general assembly of the shareholders shall immediately convoke for the appointment of new members. For the period in time until the decision of the general assembly, the other members of the Body of Nominees will nominate members ad interim to fulfil the vacanted positions. The decision of the Body of Nominees on nominating members ad interim will be communicated to FM, the auditor and will be filed with the Trade Register.

ARTICLE 17

Attributions of the Body of Nominees

- The Body of Nominees has the followings duties and functions:



- (1) Following the information received from the Fund Manager with regard to the summoning of the ordinary and/or extraordinary general assembly of the shareholders requests, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the general assembly of shareholders;
- (2) Receives from the Fund Manager the information in connection with the answers to the written requests submitted before the date of the general assembly of the shareholders, by the shareholders on topics regarding Fondul Proprietatea's activity;
- (3) Receives from the Fund Manager the annual financial statements, the annual activity report presented by the Fund Manager and the financial auditors' report, before being made available to the shareholders and analyzes them, being able to formulate an opinion to be presented to both the Fund Manager and the general assembly;
- (4) Receives from the Fund Manager for analysis the annual report on the management and the business policy of Fondul Proprietatea and presents an opinion to the Fund Manager and to the general assembly of the shareholders;
- (5) Receives from the Fund Manager for analysis the yearly income and expenditure budget and business plan before to be submitted to the approval of the general assembly of the shareholders and presents an opinion to the Fund Manager and to the general assembly of the shareholders;
- (6) Receives from the Fund Manager for analysis the general strategy in accordance with the Fondul Proprietatea's investment policy before to be submitted to the approval of the general assembly of the shareholders and presents an opinion to the Fund Manager and to the general assembly of the shareholders;
- (7) Receives from the Fund Manager for analysis and approves the framework for carrying out Fondul Proprietatea's operations, as well as any other Fondul Proprietatea's regulations issued by Fund manager according to legal provisions in force, capital market rules and regulations;
- (8) Receives from the Fund Manager for analysis the proposal to the ordinary general assembly of the shareholders for the conclusion of the financial audit agreement and presents an opinion to the Fund Manager and to the general assembly of the shareholders;



- (9) Reviews on a regular basis the investment policy of Fondul Proprietatea and presents an opinion to the general assembly of the shareholders as any time it deems necessary, but in any case, at least once a year to the annual ordinary assembly;
- (10) Receives the report of the internal auditor and presents an opinion to the Fund Manager and to the general assembly of the shareholders;
- (11) Monitors the following, based on information and reports received from the Fund Manager:
- the list of all portfolio investments and percentage breakdown by each investment type;
 - a list of major transaction occurring in the Fondul Proprietatea portfolio for the period under review;
 - the total return of the portfolio and comparison of return with the appropriate benchmark;
 - comparison of return on the portfolio with the portfolio objective;
 - the extent of compliance with the investment policy statement, any variations and actions taken to correct variations;
 - the performance evaluation report.
- all the above with the purpose of drafting and presenting a report regarding the developed monitoring activity any time is required by the shareholders, but in any case at least once a year, to the general assembly of the shareholders;
- (12) Represents the general assembly of the shareholders in relation with the Fund Manager from the communication point of view between the two corporate bodies, except for the cases expressly regulated by this constitutive act as a direct communication between the general assembly and the Fund Manager;
- (13) Verifies the report of the Fund Manager and the exercise of the permanent monitoring over the management of Fondul Proprietatea by the Fund Manager, and verifies if the operations carried on by the Fund Manager are in compliance with the applicable law, the constitutive act and/or with any relevant decision of the general assembly of the shareholders;



- (14) Under the conditions of art. 13 paragraphs (11) and (14) calls upon the general assembly of the shareholders;
- (15) Participates to the meetings of the general shareholders' assemblies and presents in this meeting reports in all cases provided by this constitutive act or with regard to any issue it deems to be relevant for the shareholders;
- (16) Proposes to the general assembly of the shareholders the approval or rejection of any contract/document which may create binding obligations to Fondul Proprietatea (including without limitation buying, selling, exchanging, pledging of assets of Fondul Proprietatea) which exceeds 5% of the asset value of Fondul Proprietatea's portfolio (calculated according to the rules issued by CNVM).;
- (17) Recommends to the general assembly of the shareholders the termination of the management contract if the Body of Nominees considers that is to the benefit of the shareholders.
- (18) Recommends to the general assembly of the shareholders on any other issues the Body of Nominees is considered relevant to the shareholders.
- (19) Recommends to the extraordinary general assembly of the shareholders, based on the Fund Manager's proposal, the appointment of a public offer intermediary, as well as on the intermediary's remuneration, when it becomes necessary that such a company be appointed in relation to the admission to trading of Fondul Proprietatea.

ARTICLE 18

The obligations of the members of the Body of Nominees

- (1) The members of the Body of Nominees have diligence and loyalty duties towards the shareholders of Fondul Proprietatea.
- (2) The members of the Body of Nominees are held liable towards the general assembly of the shareholders of Fondul Proprietatea, in accordance with the mandate rules. The decisions of the members of the Body of Nominees will be taken after due enquiries into the relevant circumstances existing at the specific moment at which such decisions have been taken.



- (3) The members of the Body of Nominees cannot disclose the confidential information and the commercial secrets of Fondul Proprietatea, to which those persons have access. Such obligation remains in force as well as after the termination of the mandate.
- (4) If a member of the Body of Nominees has, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, in a certain operation, that member must give notice of such situation to the other members and to the internal auditors and not take part in any deliberation regarding that operation.
- (5) The same obligation must be observed by the member of the Body of Nominees, who acknowledges that in a certain operation, his/her wife or husband, relative or related persons until the 4th grade inclusive are interested.
- (6) The prohibitions stipulated in paragraphs (4) and (5) regarding the participation, deliberation and voting of the members of the Body of Nominees, are not applicable if the vote refers to:
 - (a) the offer of shares or obligations of Fondul Proprietatea for subscription, to a member of the Body of Nominees or to the persons mentioned in paragraph (5);
 - (b) the granting by a member of the Body of Nominees or by the persons mentioned in paragraph (5) of a loan or establishing a guarantee in favour of Fondul Proprietatea.
- (7) The member of the Body of Nominees not observing the provisions of paragraphs (4) and (5) is held liable for the damages caused to Fondul Proprietatea.
- (8) It is forbidden the crediting by the Fondul Proprietatea of the members of the Body of Nominees, through operations such as:
 - (a) granting loans;
 - (b) granting financial facilities for or after the conclusion by Fondul Proprietatea with the members of delivery operations of goods, providing of services or performance of works;
 - (c) direct or indirect guarantee, in whole or in part, of any loans granted to the member of the Body of Nominees, concomitant or after granting the loan;



- (d) direct or indirect guarantee, in whole or in part, of performance by the members of any other personal obligation of those towards third parties;
 - (e) direct or indirect guarantee, in whole or in part, of any receivables having as object a loan granted by a third party to the members of the Body of Nominees or other personal service of those members.
- (9) The provisions of paragraph (8) are applicable and the operations in which the husband or wife, relatives or related persons until the 4th grade inclusive of the members of the Body of Nominees are interested; also, if the operation concerning a civil or a commercial company at which one of the persons above mentioned is director or holds, solely or together with one of the persons above mentioned, a quota of at least 20% of the value of the subscribed share capital.
- (10) The provisions of paragraph (8) are not applicable for the case when the operation is concluded by Fondul Proprietatea during its current business, and the clauses of the operations are not more favourable to the persons specified in paragraphs (8) and (9) than the ones usually practiced by Fondul Proprietatea towards third parties
- (11) The Body of Nominees shall promptly decide on all requests for approval from the Fund manager within a reasonable time frame to allow the Fund Manager to comply with it's own obligations.

CHAPTER VI

Provisions regarding the company's management

ARTICLE 19

Organisation

- (1) Fondul Proprietatea is managed by Franklin Templeton Investment Management Limited through its Romanian branch, with headquarter in Bucharest, 78-80 Buzesti street, floors 7-8, sector 1, fiscal registration no. 25851096, registration number at Trade Registry J40/8587/2009, legally represented by Grzegorz Maciej Konieczny, Polish citizen, borned on 22.11.1970 at Slupsk, Poland, with home adress in Poland, identified with identification documentation issued by Polish



Authorities on 14.05.2009, with valability date until 14.05.2019, with personal identification number 7011220001 and by Adrian Cighi, Romanian citizen, with home adress on Cluj-Napoca, 14. Trifoiului street, bl. C5, ap. 6, Cluj district, identified cu ID KX number 550837 issued by SPCLEP Cluj-Napoca on 31.05.2007, with personal identification number 1830810314000, under Investment Management Agreement signed on 25 februarie 2010, which holds the position of sole director, as well as of asset management company referred to throughout this document as the Fund Manager.

- (2) The Fund Manager is elected by the general assembly of the shareholders, with the observance of the legal provisions and of this constitutive act.
- (3) The mandate of the Fund Manager is of 4 years and is renewed automatically, if there is no adverse decision of the general assembly of the shareholders, entitled to decide on the termination of the mandate even before its regular lifespan.
- (4) The legal entity appointed as Fund Manager of Fondul Proprietatea must expressly accept such position, by executing the management agreement and must have in place a professional liability insurance.

ARTICLE 20

Functioning

- (1) The Fund Manager shall appoint a natural person as its permanent representative. On the date of appointing, legal representatives of Fund Manager are Grzegorz Maciej Konieczny, Polish citizen, borned on 22.11.1970 at Slupsk, Poland, with home adress in Poland, identified with identification documentation issued by Polish Authorities on 14.05.2009, with valability date until 14.05.2019, with personal identification number 7011220001 and Adrian Cighi, Romanian citizen, with home adress on Cluj-Napoca, 14. Trifoiului street, bl. C5, ap. 6, Cluj district, identified cu ID KX number 550837 issued by SPCLEP Cluj-Napoca on 31.05.2007, with personal identification number 1830810314000.

ARTICLE 21

Attributions of the Fund Manager



- (1) The management of Fondul Proprietatea is ensured by the Fund Manager, which fulfils the necessary and useful operations for the fulfilment of the company's business object, except of the operations reserved by the law for the general assembly of the shareholders and has all the obligations attributed to it by the applicable law.
- (2) The Fund Manager exercises its attributions under the control of the general assembly of the shareholders and the monitoring of of the Body of Nominees.
- (3) In excess of the duties provided by the applicable law, the Fund Manager shall be liable to:
 - (i) establish a reference date for shareholders entitled to vote within the general assembly, under the law, and draft the text of the announcement on the convocation of the general assembly, after obtaining the prior approval of the Body of Nominees and after it added to the agenda the matters requested by the Body of Nominees;
 - (ii) upon the written request of any shareholder submitted before the date of the general assembly of the shareholders, after obtaining the prior approval of the Body of Nominees, regarding the aspects concerning the business of Fondul Proprietatea;
 - (iii) ensure that, if requested by any of the shareholders, a copy of or extract of the minutes of the general assembly shall be given to them and also, after the announcement of the ordinary annual general assembly of the shareholders is published, make available to the shareholders the financial statements of the company and the reports of the Fund Manager and of the company's financial auditors,
 - (iv) examine and review the annual financial statements drafted by the company's accountants, draft the annual activity report, examine the financial auditors' report, present them to the Body of Nominees before submitting such documents to the general assembly of the shareholders and make proposals on the distribution of the profit to the general assembly of the shareholders, after obtaining the prior approval of the Board of Nominees;
 - (v) manage the relationship with the Central Depository with regard to its shareholders register functions,



- (vi) prepare an annual report on the management and the business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the general assembly of the shareholders;
- (vii) propose for the prior approval of the Body of Nominees and further, of the general assembly of the shareholders, of the yearly income and expenditure budget and business plan;
- (viii) propose for the prior approval of the Body of Nominees and further, of the general assembly of the shareholders of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea: it is responsible for the carrying on of the investment policy and for achieving a proper balance between the profits and the risks related to the Fondul Proprietatea portfolio; it has to inform periodically the Body of Nominees on any significant changes in the activities of Fondul Proprietatea and within the structure of its portfolio.
- (ix) approve the outsourcing of certain activities, within the limits of the approved budget; respectively delegating the execution of certain activities, with the condition of a prior approval given by CNVM;
- (x) based on the proposal of the Body of Nominees to submit to the approval of the general assembly of the shareholders any agreement / document which may create binding obligations to Fondul Proprietatea, (including but not limited to the purchase, selling, change or encumber the non-current asset of Fondul Proprietatea) which exceeds 5% of the asset value of the portfolio of Fondul Proprietatea (calculated according to the regulations issued by CNVM);
- (xi) propose to the general assembly of the shareholders the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Body of Nominees, as well as approve the procedure of internal audit and the audit plan;
- (xii) decide the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;
- (xiii) make available to the Body of Nominees the reports, as well as other necessary documents for exercising the monitoring duties, in accordance with art. 17 paragraph (11);



- (xiv) to inform at once the Body of Nominees of any litigation or infringement of legislation regarding Fund Manager, any operation which might be an infringement to the investment policy and about the plans/ correction measures for approaching these matters.
- (xv) ask for the calling of the general assembly which shall decide properly whenever an issue appears on which the Body of Nominees has a disagreement with the Fund Manager, which can not be resolved amiably.

ARTICLE 22

The obligations of the Fund Manager

- (1) The Fund Manager has a diligence and loyalty duty towards Fondul Proprietatea. Such duty is exercised taking into consideration the interest of the shareholders generally, and not of some of them.
- (2) The Fund Manager is held liable towards Fondul Proprietatea, according to the law. The decisions of the Fund Manager are taken after due enquiries regarding the relevant circumstances existing at the moment of which those decisions are taken.
- (3) The Fund Manager cannot disclose confidential information or commercial secrets of Fondul Proprietatea, to which it has access. Such obligation remains also after the termination of the mandate.
- (4) If the Fund Manager, respectively its permanent representative and its employees, have in a certain operation, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, the Fund Manager must give notice to the internal auditors and Body of Nominees of this issue and not take part in any deliberation concerning the specific situation.
- (5) The same obligation must be observed by the Fund Manager, respectively by its permanent representative and its employees if, in a certain operation, is being aware that an Affiliate of the Fund Manager or the wife or husband, relatives or related persons until the 4th grade inclusive of the representative and its employees, are interested.



ARTICLE 23

Representation of Fondul Proprietatea

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- (1) In relations with third parties, Fondul Proprietatea is represented by the Fund Manager, respectively by its permanent representative.
- (2) The Fund Manager may delegate the representative powers, in accordance with the applicable law and CNVM regulations.

CHAPTER VII

The audit of Fondul Proprietatea

ARTICLE 24

The internal auditors and the financial audit

- (1) Fondul Proprietatea must observe the provisions of the financial audit. Also, Fondul Proprietatea shall organise its internal audit in accordance with the legal provisions in force.
- (2) An internal audit department shall be organised within Fondul Proprietatea, having attributions of objective examinations of the company's aggregate business, for the purpose of providing an independent evaluation of the risk management, control and leading development of the company. Fund Manager can decide that internal audit work can be outsourced, in which case it will run on a contractual basis, according to article 3 of Decision of Romanian Chamber of Auditors no. 88/2007, with subsequent amendments.
- (3) The internal audit is independent of the management of Fondul Proprietatea, and the internal auditors shall objectively exercise this activity.



- (4) The internal audit shall evaluate and shall propose the improvement of the risk management, the control and internal rules within Fondul Proprietatea.
- (5) The internal auditors shall not be subject of any interference in determining the purpose of the internal audit and in exercising their activity.
- (6) The internal auditors shall have an impartial, correct attitude and shall avoid the conflicts of interest.
- (7) The internal audit shall transmit the plans of the internal audit activity and the necessary resources, inclusive the significant interim changes, to the Body of Nominees for information, as well as to Fund Manager for approval within the limits of its competencies.
- (8) The internal audit shall establish the policies and procedures for exercising the internal audit activity within Fondul Proprietatea, comprising amongst others, the analysis of the decisions taken by the company's management and the control of their compliance with the statutory requirements and/or with other documents approved by the general assembly of the shareholders.
- (9) The internal audit shall coordinate its activity with the financial auditor, in order to ensure the proper fulfilment of the audit objectives and to minimize any duplication of attributions.
- (10) The internal audit shall give quarterly reports to the Body of Nominees of Fondul Proprietatea and Fund Manager regarding the purpose of the internal audit activity, authority, responsibility and performance according to its plan. The reports shall include also the significant risks and aspects of the control and management, as well as other necessary problems or as requested by the Board of Nominees and the Fund Manager.
- (11) The internal audit shall verify if the management of Fondul Proprietatea has taken appropriate measures concerning the reported significant risks or if the Fund Manager has accepted the risk of not taking any measure and shall inform the Board of Nominees and the general assembly of the shareholders if the Fund Manager has accepted the reported significant risks.
- (12) The internal audit shall establish the procedures for monitoring the implementation of the measures taken by the management of Fondul Proprietatea.



- (13) The internal auditors shall notify the Body of Nominees and the Fund Managers with respect to any flaws in the management or breaches of the legal provisions or of the constitutive act, where such are identified by the internal auditors; the significant cases shall be notified to the general assembly of the shareholders.
- (14) The internal auditors shall take into consideration the complaints of the shareholders when drafting the reports addressed to the general assembly of the shareholders.
- (15) The attributions, duties and the functioning way of the internal auditors, as well as their rights and obligations are completed with the legal provisions in this area.

CHAPTER VIII

Business of Fondul Proprietatea

ARTICLE 25

Financing its own business

For the fulfilment of the business object and in accordance with the attributions established, Fondul Proprietatea uses the financial sources established pursuant to the law, banking credits and other financial sources. Fondul Proprietatea is not allowed to conclude loan agreements for investment reasons.

ARTICLE 26

Financial year

The financial year begins on 1st of January and terminates on 31st December of each year.



ARTICLE 27

Accounting evidence and annual financial statements

- (1) The accounting is kept in Romanian language and in national currency.
- (2) Fondul Proprietatea must draft the annual financial statements according to the methodological norms established pursuant to the provisions of the National Securities Commission, endorsed by the Ministry of Public Finance.
- (3) The Fund Manager is obliged, within 15 days from the date of the general assembly of the shareholders, to submit to the commercial registry copies (on paper or electronic form or only in electronic form, having attached an advanced electronic signature) of the annual financial statements, accompanied by their report, by the report of the financial auditor, as well as by the minutes of the general assembly of the shareholders by which the annual financial statements have been approved.

ARTICLE 28

Calculation and distribution of the profit

- (1) The final result of the financial year is established at its termination and represents the final balance of the profit and loss account.
- (2) The profit of Fondul Proprietatea after the payment of the profit tax shall be distributed according to the decision of the general assembly of the shareholders and to the legal provisions in force.
- (3) Fondul Proprietatea creates a reserve fund and other funds, pursuant to the law.
- (4) The payment of dividends owed to the shareholders is made by Fondul Proprietatea, according to the law.
- (5) The dividends are distributed between the shareholders proportional with the number of held shares.



- (6) In case of loss of the net asset, the general assembly of the shareholders shall analyse the causes and decide properly, according to the law.

ARTICLE 29

Registries

Fondul Proprietatea shall maintain, by care of the Fund Manager and internal auditors, all registries provided by the law. The shareholders registry is kept by the Central Depository.

CHAPTER IX

Association, change of the legal form, dissolution and liquidation, litigation

ARTICLE 30

Association

- (1) Fondul Proprietatea may set-up, solely or together with other Romanian or foreign natural persons or legal entities, other companies or legal entities, according to the law and to this constitutive act.
- (2) The conditions for the participation of Fondul Proprietatea at the setting-up of new legal entities shall be regulated by the constitutive acts, which to be approved by the general assembly of the shareholders.

ARTICLE 31

Dissolution

- (1) The dissolution of Fondul Proprietatea shall take place in the following cases:

S.C. FONDUL PROPRIETATEA S.A., administered under a unitary system
with headquarters at: 78 – 80 Buzesti Street, 7th floor,
Bucharest 1st district, postal code 011017, Romania. Fiscal Identification Code (CIF): 18253260, registered with
the Trade Registry under no: J40/21901/2005. Subscribed and paid up capital: 13.778.392.208 RON.
Tel.: + 40 21 200 9600; Fax: +40 21 200 9631; Email: office@fondulproprietatea.ro;
Internet: www.fondulproprietatea.ro.



- a) impossibility of performing the company's business object;
 - b) declaring the company's nullity;
 - c) after finalisation of the procedures for granting indemnities to the rightful persons, by decision of the general assembly of the shareholders;
 - d) as consequence of losses, if the net asset value, determined as difference between the total asset and company's debts, represents less than half of the value of the subscribed share capital and if, not later than the termination of the financial year subsequent to the one during which the losses have been ascertained, the general assembly of the shareholders fails to decrease the share capital with an amount at least equal with the one of losses which could not be covered from reserves or to reconstitute the company's net asset up to the value at least equal with half of the subscribed share capital.
 - e) opening of the bankruptcy procedure;
 - (f) the number of shareholders reduces under the legal minimum;
 - (g) other causes provided by the law or by this constitutive act.
- (2) The dissolution decision of Fondul Proprietatea must be registered with the commercial registry and published in the Official Gazette of Romania, Part IV.

ARTICLE 32

Liquidation

- (1) The dissolution of Fondul Proprietatea has as consequence the opening of the liquidation procedure.
- (2) The liquidation of Fondul Proprietatea and distribution of the patrimony are made in accordance with the law.

ARTICLE 33

Calculation method of the net asset



The calculation method of the net asset is made according to the provisions of Regulation regarding the registration at CNVM and functioning of FP and for the dealing with its shares and Regulation on the authorisation and functioning of investment management firms, collective investment undertakings and depositories.

ARTICLE 34

Prudential rules concerning the investment policy

- (1) The investment policy is established by the Fund Manager, with the observance of the investment limitation provided by the legal provisions in force and of this Constitutive Act.
- (2) The Statement regarding the investment policy of Fondul Proprietatea states for the following investment limits, in accordance with the provisions of art. 101 (1) and art. 102 (1) in Law No. 297/2004, with its subsequent amendments and completions, and of art.7¹ para. (3) and para. 4 in Law No. 247/2005 with its subsequent amendments and completions:

Eligible assets categories

- a) securities and instruments of the money market registered or traded on a regulated market as defined in art. 125 in Law No. 297/2004, in Romania or in a Member State of EU;
- b) securities and instruments of the money market admitted at the official value of a Stock Exchange of a non-member state or negotiated on another regulated market in a non-member state operating regularly and is recognised and open to the public, with the condition that the choice of the stock exchange or regulated market has been approved by CNVM or has been stated in the investment policy of the Fondul Proprietatea or in the Constitutive Act, approved previously by CNVM.
- c) Securities recently issued, with the condition that:
 - the issuance conditions include a firm commitment, according to which it will be requested the admission to trading in a stock exchange or another regulated market



operating regularly and being recognised and open to the public with the condition that the choice of the stock exchange or regulated market has been approved by CNVM or has been stated in the Constitutive Act of Fund management approved by CNVM:

- the admission to trading has to be provided within a maximum one year after issuance.

d) securities of undertakings for collective investment in transferable securities (OPCVM) and/or other undertakings for collective investment (AOPC) with the characteristics stated for in art. 76 para. (1) letter a) and b) in Law 297/2004, authorised in Member and Non-Member States, with the condition that those will fulfil cumulatively the following conditions:

- AOPC are authorised according to a legislation stating that those are the object of a supervision considered by CNVM as being equivalent to the one stated for in the Community legislation and the co-operation between CNVM and the competent authority in the state of origin is ensured at a satisfactory level;
- The level of protection for investors in the respective AOPCs is equivalent to the one ensured for investors in OPCVM and, specifically, the rules on segregation, loans and sells on the uncovered position of securities and instruments of the money market and instruments of the money market are equivalent to the provisions of Law No. 297/2004;
- The activities of AOPC are subject to bi-annual and annual reports, allowing an evaluation of assets and liabilities, revenues and operations for the reporting period;
- Max. 10% of the total assets of the other OPCVM and/or AOPC for which it is intended to make investments, may, in accordance with constitutive acts of those, be invested in securities issued by other OPCVM and AOPC;

e) deposits to credit institutions, reimbursable upon request or provide right for withdrawal, with a maturity of max. 12 months, under the condition that the credit institution has its permanent establishment in Romania or in an EU Member State, or, if the permanent establishment of a credit institution is in a Non-Member



State, under the condition that this one observes the prudential rules considered by CNVM to be equivalent to those stated for the EU;

- f) financial derivatives, including those involving final settlement of funds, traded on a regulated market in the understanding of letter a) and b) and/or financial derivatives negotiated out of the regulated market with the cumulative fulfilment of the following conditions:
- the support asset resides in instruments stated at art. 101 para. (1) in Law No. 297/2004, with its subsequent modifications and completions, financial indicators, interest rate and exchange rate, where Fondul Proprietatea may invest according to its investment objectives stated in Investment Policy Statement of Fondul Proprietatea or in its constitutive act;
 - counterparts, within the negotiations carried on outside the regulated market, are institutions, subject to prudential supervision, belonging to the categories approved by CNVM;
 - financial derivatives negotiated outside the regulated market are subject to daily evaluation, trustworthy and verifiable, and may be, upon Fondul Proprietatea initiative sold, liquidated or the position may be closed, at any time, at their fair value, through a transaction of an opposite direction.
- g) instruments of the money market others than those negotiated on a regulated market, which are liquid and whose value may be determined precisely at any moment in time, under the condition that the issuance or issuer are subject to the regulations referring to the protection of investors and their savings, with the conditions that these instruments are:
- issued or guaranteed by a central, regional or local administration unit or by the central bank of a Member State, ECB, EU or EIB, a Non-Member State or, for the case of a Federal State, by one of the states member of the federation, or by an international public organization to which one or several Member States belong; or
 - issued by an organization whose securities are negotiated on regulated markets mentioned in sub-para. a) and b); or
 - issued or guaranteed by an entity subject to prudential supervision, according to the criteria defined by the Community legislation, or by an



entity which is subject of and observes the prudential rules considered by CNVM to be at least as exigent as the ones stated in the Community legislation; or

- issued by other entities belonging to the categories approved by CNVM under the condition that the investments in such instruments be subject to a protection of investors equivalent to the one established previously and with the condition that the issuer is a company whose capital and reserves amounts to at least 10,000,000 Euro and which presents and publishes the annual reports in accordance with the applicable Community legislation, or an entity which, within a group of companies comprising one or more listed companies, is dedicated to the financing of the group, or is an entity dedicated to financing securitizing vehicles having the benefit of bank credit lines.

Other rules:

- the instruments of the money market mentioned above are liquid, and their value may be determined precisely at any moment in time.
- When Fondul Proprietatea invests in the securities of other OPCVM and/or AOPC, which are managed, directly or indirectly, by the Fund Manager or by any other company to which the Fund Manager is related, via common control or management, or via a substantial ownership into, directly or indirectly, the Fund Manager or the other company may not receive buying or buy back fees on behalf of the Fund investment in securities of other OPCVM and/or AOPC.

Moreover, Law No. 147/2005 states the followings related to the FP portfolio:

- Fondul Proprietatea may not held more than 20% of its assets in securities and instruments of the money market, not admitted for trading, with the exception of sovereign bonds and t-bills issued by the Ministry of Public Finance, for which case the ownership limit does not apply. For the calculation of the ownership limit in securities not admitted to trading, it is to be excluded from the value of assets not admitted to trading the securities not admitted to trading earned from the Romanian State on the



basis of this law, represented by the Ministry of Public Finance, the Ministry of Communication and Information Society, AVAS and the Ministry of Transportation and Infrastructure and from SC Electrica SA.

- Fondul Proprietatea may invest in deposits placed according to the provisions of art. 101 para. (1) letter c) in Law No. 297/2004 with its subsequent modifications and completions, and in instruments of the money market stipulated in art. 101 para. (1) letters a), b) and g) in Law No. 297/2004 and may have current accounts and cash in lei and foreign currencies.
- Fondul Proprietatea may acquire only movable and immovable assets which are necessary for carrying on its activity.
- Fondul Proprietatea may not hold more than 10% of its assets in the shares mentioned in art. 4 and in the instruments on the money market mentioned in art. 101 para. (1) letters a) and b) in Law No. 297/2004, with its subsequent modifications and completions, issued by a single issuer, with the exception of sovereign bonds.
- Fondul Proprietatea may not held more than 10% of its assets in financial instruments issued by entities belonging to the same group.
- Fondul Proprietatea may not held more than 10% of its assets in securities issued by OPCVM and/or AOPC.
- The total value of the current accounts and cash held by the Fund must not exceed 20% of its assets. For the calculation of this limit, the cash collected by the Romanian State based on the provisions of Law No. 247/2005 shall be excluded from the assets value. This limit may be extended up to max. 50% with the condition that the respective amounts derive from investments reaching maturity or from selling financial instruments from its portfolio, and that the respective extension will not be longer than 90 days.
- The value of the bank deposits made by the Fund to the same credit institution may not be higher to 10% of its assets.
- Exposure of Fondul Proprietatea to the counterparty risk in a transaction with financial derivatives traded out of the regulated markets may not exceed 10% of its assets, irrespective of the counterparty of the

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transaction, while the global exposure against financial derivatives may not exceed 15% of the total allocation of its net assets.

- Fondul Proprietatea may exceed the limits referring to any of the investments made in financial instruments, included in its assets, or, if using the subscription right related to those, with the condition that the extension will not be longer than 120 calendar days.
- Fondul Proprietatea shall invest at least 20% of its assets in:
 - o Securities registered for trade on a regulated market, defined in art. 125 in Law No. 297/2004, or traded within an alternative trading system, in Romania or in another Member State of EU.
 - o The securities admitted to the official rating of a stock exchange in a Non-Member State or negotiated on another regulated market functioning regularly in a Non-Member State and is recognised and open to the public, with the condition that the choice of the stock exchange or of the regulated market be approved by CNVM or to be stipulated in the constitutive act of Fondul Proprietatea approved by CNVM.
 - o Securities non-issued, under the terms of art. 101 para. (1) letter c) in Law No. 297/2004, with its subsequent modifications and completions,
 - o Securities issued by OPCVM and/or AOPC mentioned in art. 101 para. (1) letter d) in Law No. 297/2004, with its subsequent modifications and completions,
 - o Securities issued by OPCVM and/or AOPC. Admitted to trade on a regulated market or traded within an alternative trading system.

The investment policy shall be established with the supplementary observance of the following investment restrictions:



Fondul Proprietatea may hold money market instruments only in financial institutions with a rating higher than “Investment Grade” and may invest only in corporate bonds with a rating higher than “Investment Grade”.

According to the legislation in force, Fondul Proprietatea may not hold more than 20% of its assets in securities and instruments of the money market, not admitted to trade, with the exception of Sovereign Bonds and bonds issued by the Ministry of Public Finance, in the last case the limit of ownership is instated. For the calculation of the ownership limit for securities not admitted to trade, it is to be excluded from the value of assets not admitted to trade the value of securities not admitted to trade owed from the Romanian State on the basis of Law No. 247/2005. Therefore, any part of the current Fondul Proprietatea Portfolio (as it has been set up, on securities not admitted to trade owed from the Romanian State on the basis of Law No. 247/2005 and including the modifications made by GO No. 81/2007) shall be exempted from the general rules on allocation. However, any new acquisition made by the Fund shall observe the general rules on allocation. Taking into account that one of the key objectives of the short term Fondul Proprietatea portfolio is to create diversity, it is envisaged that the whole portfolio will migrate in time towards the standard allocation rules. The provisions referring to the allocation methods do exclude the assets owed from the State on the basis of Law No. 247/2005 with its subsequent modifications and completions.

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ARTICLE 36

Conditions for the replacement of the depository

- (1) Fondul Proprietatea shall conclude a deposit agreement with a depository legal entity authorised and supervised by the National Securities Commission, which performs the deposit operations of securities, as well as any operations in connection with those. The activities to be developed by the depository and the conditions for its replacement shall be provided in the deposit agreement.
- (2) The deposit agreement shall include mandatorily clauses related to the replacement of the depository and rules for ensuring shareholders’ protection in such situations.



ARTICLE 37

Identity, requirements regarding the qualification, professional experience and integrity of the management members

(1) The Fund Manager, respectively its permanent representative shall cumulatively fulfil with the minimum requirements regarding the integrity, qualification and professional experience provided in the legislation and in other specific provisions; the identity of the Fund Manager is the one registered with the National Office of Trade Registry, based on the decision of the general assembly of the shareholders regarding its election.

(2) Fund Manager means the investment management company, legal person established as a limited company which operates or will be established and operated on the authorization issued by the NSC, including investment management company, foreign entity, authorized by the competent authority of State of origin and which will establish a branch in Romania, the permit issued by the NSC, and NSC entered in the register this branch.

ARTICLE 38

Litigations

The litigations of any type shall be amiably resolved and if this is not possible, they shall be solved by the competent arbitral or judicial courts.

CHAPTER X

Final provisions

ARTICLE 39

Final provisions



FONDUL PROPRIETATEA

The provisions of this constitutive act are completed by the provisions of Company Law No. 31/1990, republished, as further amended and completed, and other applicable legal provisions in force as well as by the provisions of the capital market legislation governing the issuers whose shares are admitted on trading.

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APPENDIX 2

2011 BUDGET FOR FONDUL PROPRIETATEA

Item (LEI)	BUDGET 2011	REVIZED BUDGET 2010	VARIANCE (%)
I. INCOME FROM CURRENT ACTIVITY	299,338,549	277,409,408	8%
Dividend income	209,279,125	173,185,020	21%
Interest income	90,020,934	104,185,900	-14%
Other income	38,490	38,488	0%
FX gains (net)	0	0	0%
II. EXPENSES FROM CURRENT ACTIVITY	92,336,771	78,329,058	18%
Expenses with materials, energy, utilities	32,575	167,005	-80%
Rent expenses	95,566	494,591	-81%
Insurance expenses	298,718	167,347	79%
Protocol expenses (Client/staff entertainment)	0	87,088	-100%
Marketing and PR expenses	836,403	0	100%
Transportation and business travel expenses	0	40,033	-100%
Social taxes and contributions	281,709	1,097,542	-74%
Taxes and assimilated items (include stamp duties for litigations)	8,000,000	8,940,000	-11%
Bank commissions (include Depository fees)	1,469,958	663,286	122%
Commissions and fees (include CNVM and Central Depository fees)	13,434,022	6,129,890 *	119%
Salaries and similar expenses (employees, management and Board members)	1,006,104	3,933,216	-74%
Expenses with selection commission fees	0	85,100	-100%
Depreciation and amortization expenses	0	108,814	-100%
Loss on disposal of fixed assets (net)	0	343,189	-100%
Third party services providers' expenses	66,881,716	33,115,839 *	102%
Other operating expenses	0	66,968	-100%

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FONDUL PROPRIETATEA

FX losses (net)	0	22,889,149	-100%
III. GROSS PROFIT	207,001,778	199,080,349	4%
IV. Profit tax expenses	0	4,143,253	-100%
V. NET PROFIT	207,001,778	194,937,097	6%
VI. INVESTMENTS	0	22,427	
Intangible assets	0	4,720	-100%
Tangible assets	0	17,707	-100%

* for comparability with 2011 Budget, the amount of Lei 6,111,833 representing CNVM fee has been reclassified in the 2010 Revised Budget from “Third party services providers’ expenses” category to “Commissions and fees” category

SUBSTANTIATION OF THE 2011 BUDGET

The 2011 Budget of Fondul Proprietatea (“Fondul” or “Fondul Proprietatea”) was prepared in October 2010, under Romanian accounting standards, having as a reference point the actual financial information of Fondul for the 9 months period ended on 30 September 2010, based on the assumptions presented below.

The main assumptions used in the preparation of the budget are:

PLEASE NOTE THAT THESE ARE THE ASSUMPTIONS USED IN THE PREPARATION OF 2011 BUDGET, AND NOT THE INTENDED FUTURE COURSE OF ACTIONS IN THE MANAGEMENT OF FONDUL PROPRIETATEA

Portfolio assumptions

- During 2011, as well as in the period September – December 2010 Fondul Proprietatea will not make any new equity investments, will not dispose any of the portfolio investments and will not participate in the share capital increases of portfolio companies (if applicable).



- Dividend income in 2011 is expected to be similar with 2010 Dividend income (actual dividend income of the period January – September 2010 has been used)
- All cash available will be invested in money market instruments and the average interest rate during 2011 is expected to be 7%

Other assumptions:

- The dividend payout ratio is expected to be 100% for the financial year 2010 (after accounting for compulsory distribution to legal reserve) and the dividends are going to be gradually distributed, starting with May 2011, as follows: 80% in May 2011, 10% in June 2011, and remaining 10% equally in the period July – October 2011).
- Collection of dividends from portfolio companies is expected to be: 10% in May 2011, 30% in June 2011, and the remaining 60% equally in the period July – October 2011
- For the estimation of the monthly CNVM fee (0.1% per year), as well as for the estimation of the investment management and administration fee to Franklin Templeton (0,479% per year) and of the depositary fee (0,0007% per month), the September 2010 published CNVM NAV, in amount of Lei 13,396,918,469 has been used.
- Fondul Proprietatea will not be listed on any international stock exchange in 2011
- The average Leu/Euro exchange rate used in the preparation of the 2011 Budget is 4.2674, the exchange rate as at 30 September 2010
- All taxes and contribution rates and computation methodology will be the same as at 30 September 2010
- During 2011, all financial instruments will be accounting for at cost less impairment allowances in the financial statements prepared under Romanian accounting standards
- Expenses, where applicable, include 24% VAT



Please find below details regarding the main income and expenses categories and related assumptions. Please find additional details on budgeted income and expenses in the Appendix to the Budget paper.

1. INCOME

Dividend income (increase of 21% as compared to 2010 Revized budget). The most important component of income from the current activity in the 2011 budget is dividend income (approx. 70% of the estimated income).

In the 2011 Budget, the dividend income has been estimated on the assumption that 2011 dividends will be similar with 2010 actual dividends.

Interest income (decrease of 14% as compared to 2010 Revized budget). This represents the second major component of income in 2011 Budget (approx. 30% of the estimated income for the year 2011).

The interest income was estimated based on:

- Forecast cash flow evolution during 2011. The main cash flows, besides those related to cash expenses, are cash outflows related to dividends distribution to the shareholders of the Fund (dividends for the financial years 2010) and cash inflows from the collection of the dividends distributed by the companies in Fondul portfolio.
- All cash available will be invested in money market instruments
- Forecasted average interest rate during 2011 for money market instruments is estimated to be 7%.

The estimates may differ substantially from actual values depending on the evolution of the money market.

FX gains/losses. FX gains / losses cannot be forecasted as the exchange rate evolution during the year cannot be reasonably assessed.

2. EXPENSES

Expenses from the current activity, are expected to increase with 18% as compared to 2010 Revized budget.

Salaries and similar expenses (employees, management and Board members remunerations) (decrease of 74% as compared to 2010 Revized budget). They include the following categories:



- In 2011 Budget: gross remuneration for Body of Nominee members, including remuneration for participation in the specialized committees and severance, notice period salary expenses for the two employees currently in maternity leave.
- In 2010: Salaries of employees and management of the Fund, include meal vouchers and other salarial benefits, as well as compensation salaries (6 salaries for the employees and the management at the termination of their labor contracts) and Remunerations for the Supervisory Board and for the members of specialized committees (in the period in which Fondul was self-managed).

Social taxes and contributions (decrease of 74% as compared to 2010 Revized budget).

Expenses regarding the social securities contribution, health fund contribution and other similar contributions owed by the employer. These were estimated according to the legal regulations in force on the basis of gross salaries / remunerations for employees, management and board members (in 2010) and of gross remuneration of Body of Nominee and severance and notice period salaries for the employees in maternity leave (in 2011).

Rent expenses (decrease of 81% as compared to 2010 Revized budget). These represent the expenses for renting Fondul office space. Starting with the date when the Fondul Proprietatea was taken over by Franklin Templeton, the office was relocated to Premium Point, the monthly rent being of approximately 1,500 euro per month.

Expenses with materials and assimilated items (decrease of 80% as compared to 2010 Revized budget). Include expenses with utilities (energy, water), expenses with fuels, materials and small inventory items.

Insurance expenses (increase of 79% as compared to 2010 Revized budget). In 2011, this category includes only expenses related to mandatory liability insurance for the members of the Body of Nominee.

Protocol expenses (Clients/staff entertainment expenses). In 2010 this category of expenses included client and staff entertainment expenses and office supplier (water, coffee, etc.). No such expenses in 2011 Budget.

Marketing and PR expenses. Marketing expenses estimated in 2011 Budget consist of estimated mailing and printing costs including quarterly shareholders mailing, printing of annual and quarterly reports, corporate brochure reprint, brochure for BSE listing, presentation printing for road shows, various giveaways and expenses related to roadshow for BSE listing and other promotion activities.



PR expenses include PR agency costs and additional PR expenses (national survey, round tables, media retreats, events press conferences).

Transportation and business travel expenses. In 2010, these types of expenses were a permanent component in the operational expenses category, being related mainly to the necessity to participate to different meetings (for example: General Meetings of the Shareholders) with the representatives of the companies where Fondul is shareholder. They included transportation, accommodation and allowances.
No such expenses in 2011 Budget.

Taxes and similar items (decrease of 11% as compared to 2010 Revized budget). This category of expenses represents 8.6% of Fondul's budgeted expenses and includes mainly the stamp taxes payable by Fondul Proprietatea for the litigations to defend its interests.

Much of the portfolio management activity for year 2011 will focus on asserting Fondul's rights and increasing control in respect of the existing portfolio companies, enforcing improvements in corporate governance standards within them, with a view to listing, and, where appropriate, engaging in shareholder activism against management, which activity is likely to involve significant costs for specialist legal advice and juridical stamp duty tax.

Bank commissions (increase of 122% as compared to 2010 Revized budget). In this category are included the expenses related to the services provided by the banks. The significant increase of this expenses category in 2011 was determined by including in the budget the depositary commission (0.0007% per month applied to the net assets value), in total value of approximatively Euro 24,000 per month (plus 24% VAT).

FX losses (net). This category of expenses cannot be forecasted (please see the "FX gains/losses" above)

Depreciation and amortization expenses. This category included depreciation and amortisation expenses estimated based on the provisions of the legislation in force for tangible and intangible assets. No such expenses in 2011 Budget.

Commissions and fees (increase of 119% as compared to 2010 Revized budget). This category represents 14.5% of Fondul's budgeted expenses and includes mainly CNVM monthly fees estimated based on Net Assets Value computed based on CNVM Regulations.



Third party services expenses (increase of 102% as compared to 2010 Revised budget). This category of expenses is the main component of expenses in Fondul 2011 Budget, representing 72.4% of the total expenses from the current activity. This category of expenses includes various subcategories, as follows:

- **Franklin Templeton investment management and administration fee.** It is the main expense of Fondul, representing 69.5% of the expenses from the current activity and it is estimated according to the provisions of the Investment Management Agreement between Fondul and Franklin Templeton (0.479% per year of the net assets value).
- **Legal and litigation assistance expenses – payable to external legal advisors:** These expenses, estimated at Lei 1.4 million are expenses related to the legal assistance provided by the external legal advisors (general legal advice and one-off specialist advice in running the fund), but also legal representation expenses (especially litigations in which Fondul is involved).
- **Tax compliance and tax advisory expenses:** This category includes mainly tax compliance and advisory services fees for Fondul, including taxation services related to tax returns filling and advice for specific, one-off tax advisory services.
- **Organization of the General Meeting of the Shareholders expenses:** Include expenses for the organization of General Meeting of the Shareholders. These include rent expenses for the event hall, organization expenses, advertisement, copying documents, taxes for registration of share capital increases etc.
- **Postal, telecommunications and internet services expenses:** In 2010 this category included services of landline, mobile, fax, internal/international courier, internet services and data services for the current operation of the company. No such expenses in 2011 Budget.
- **Maintenance and repairs expenses:** In 2010 this category included mainly expenses related to the maintenance of the own car park. No such expenses in 2011 Budget.
- **Portfolio valuation expenses:** In 2010 Budget this category included portfolio valuation expenses, according to the contracts concluded with KPMG Romania, Darian DRS and JPA Audit & Consultanta for the valuation of the investments in Fondul portfolio in accordance with the international appraisal standards (for Fondul's listing). No such expenses in 2011 Budget.
- **Expenses compilation of separate and consolidated financial statements according to IFRS.** In 2010 Budget this category included expenses related to the



compilation of Fondul's IFRS financials for year 2007 – 2009 (for Fondul's listing). No such expenses in 2011 Budget.

- **Other third party services expenses:** In 2011 Budget, this category includes mainly dividend distribution expenses, voting proxy charges, translation expenses, quarterly results presentations to media and analysts and investors' day for analysts and institutional investors costs.

Other operating expenses: In 2010 Budget this category included expenses related to possible donations and sponsorships, and other operating expenses, and expenses related net value of the disposed corporate assets. No such expenses in 2011 Budget.

Profit Tax Expenses: In 2011 Budget profit tax expenses estimated are nil as budgeted expenses are higher than budgeted income except for dividend income (that is non taxable income for profit tax computation, as taxes on dividends are withheld by companies distributing the dividends). Profit tax was estimated based on the estimated accounting gross profit and the non deductible expenses/ non taxable income applying the profit tax rate in force.

Among the expenses categories reclassifications/ reallocation may take place during the year with the condition that the total of these expenses to meet the budgetary limits approved by the General Meeting of Shareholders.

3. CAPEX BUDGET

There are no CAPEX (capital expenditures) budgeted in 2011, as the administration of Fondul is performed by Franklin Templeton Investment Management.

4. THE SENSITIVITY ANALISYS ON THE MAIN CATEGORIES OF INCOME AND EXPENSES

Sensitivity elements for the income:

- **Dividend income**
 - (+/-): The final published financial results of portfolio companies in 2010 (basis for the dividend distribution for these companies)
 - (+/-): Dividend payout ratios decided upon by portfolio companies
- **Interest income**



- (+/-): collection/supplementary payments (for example: participation in share capital increase, new investments etc) can affect the cash flows, and this can determine a change of the basis of estimation of interest income considered when preparing the budget;
- (+/-): different evolution of the interest rates for the money market instruments, as compared to those estimated by Fondul Proprietatea;

Sensitivity elements for expenses

- (+/-): important fiscal changes (VAT rate, profit tax rate, income tax rate, social taxes etc) that can influence Fondul Proprietatea expenses;
- (-): the additional expenses elements that are generated by the current and future operations: admission to trading on the stock exchanges, secondary public offers, acquisitions and disposals of equity investments and other financial instruments etc.



FONDUL
PROPRIETATEA

Grzegorz Maciej Konieczny

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

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