

ANNUAL ADMINISTRATOR'S REPORT

for the financial year ended
31 December 2011

Prepared in accordance with Law no
297/2004, CNVM Regulation no 1/2006
and CNVM Regulation no 4/2011

(This is a translation from the official Romanian
version)



FONDUL
PROPRIETATEA



S.C. Fondul Proprietatea S.A.



FRANKLIN TEMPLETON
INVESTMENTS

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Company Information

The Company

- S.C. Fondul Proprietatea S.A. (“the Fund” or “Fondul Proprietatea”) was incorporated on 28 December 2005 as a joint stock company operating as a closed-end investment company.
- The Fund is registered with the Bucharest Trade Registry, under the number J40/21901/2005 and has the sole registration code 18253260.
- The Fund’s Investment Objective is long-term capital appreciation via investment primarily in Romanian equities with strict adherence to the principles of value investing.
- The Sole Administrator of the Fund is Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML” or “Fund Manager”), effective since 29 September 2010.

Stock Data (as at 31 December 2011)

BVB ¹ Symbol	FP
Market Price ²	RON 0.4270
Price Range ³	RON 0.3950 - RON 0.6750
NAV/ Share ⁴	RON 1.0788
Discount	60.4%
Par Value /Share	RON 1.0000
Shares in issue	13,778,392,208
Shares corresponding to paid in capital	13,407,569,096

Shareholder Structure⁵ (as at 31 December 2011)

Shareholder Categories	% of subscribed share capital
Foreign institutional shareholders	42.14%
Romanian private individuals	34.89%
Foreign private individuals	9.37%
Romanian institutional shareholders	9.15%
Ministry of Public Finance	0.02%
Treasury shares ⁶	1.74%
Unpaid shares ⁷	2.69%

There were 10,845 shareholders on 31 December 2011.

¹ Bucharest Stock Exchange (“BVB”)

² Source: BVB, closing price as at 31 December 2011

³ Source: BVB, for the period 25 January-31 December 2011

⁴ As at 31 December 2011

⁵ Source: Central Depository

⁶ 240,304,801 shares acquired by the Fund through buy backs

⁷ Shares unpaid by Romanian State represented by the Ministry of Public Finance

The following table shows a summary of the financial position of the Fund:

	Note	Year ended 31 December 2011	Year ended 31 December 2010	Change %
Total Shareholders' Equity (RON million)	a	11,120.7	12,139.3	-8.4%
Net Asset Value (RON million)	b, g	14,465.4	15,328.2	-5.6%
Net Asset Value per Share (RON)	b, g	1.0788	1.1124	-3.0%
Net Asset Value Total Return	c	-0.5%	-	-
Share Price (RON)		0.4270	-	-
Share Price Total Return	c, d	-30.2%	-	-
Share Price – High	e	0.6495	-	-
Share Price – Low	e	0.4151	-	-
Gross Dividends Declared (RON per share)	f	0.03141	0.0816	n/a
Share Price Discount to Net Asset Value		60.4%	-	-

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch and BVB

Notes:

- (a) Prepared on the basis of Romanian Accounting Regulations
- (b) Prepared on the basis of CNVM Regulations
- (c) Calculated with dividend reinvested, where applicable
- (d) For the period from listing on 25 January until 31 December
- (e) Closing prices quoted by the BVB
- (f) The dividends declared in 2010 include distributable profits of both 2008 and 2009
- (g) The difference in change (%) between total NAV and NAV per share is accounted for by the change in paid capital during 2011

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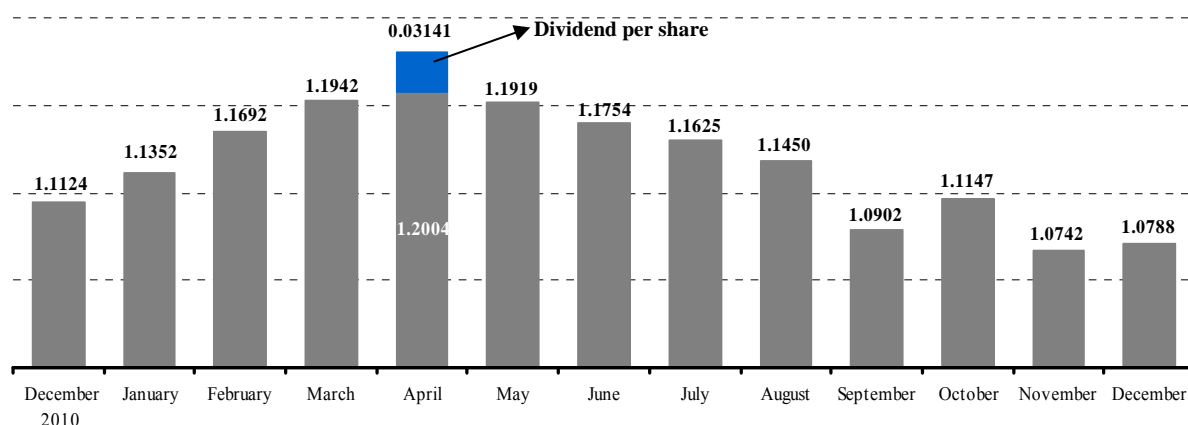
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Administrator's Letter to Shareholders

Dear Shareholders,

2011 was an overall successful, but challenging, year for Fondul Proprietatea and the Fund's shareholders. During the first year of our mandate as Fund Manager and Sole Administrator of the Fund, our main focus was to protect the value of the underlying holdings of the Fund through active management and supervision of the portfolio companies, and to implement several key, value-creating corporate actions.

In 2011, despite the difficult market conditions, the total return on the net assets of the Fund was of -0.5%. The Fund reported a Net Asset Value ("NAV") of RON 14,465.4 million and a NAV per share of RON 1.0788 as at 31 December 2011.



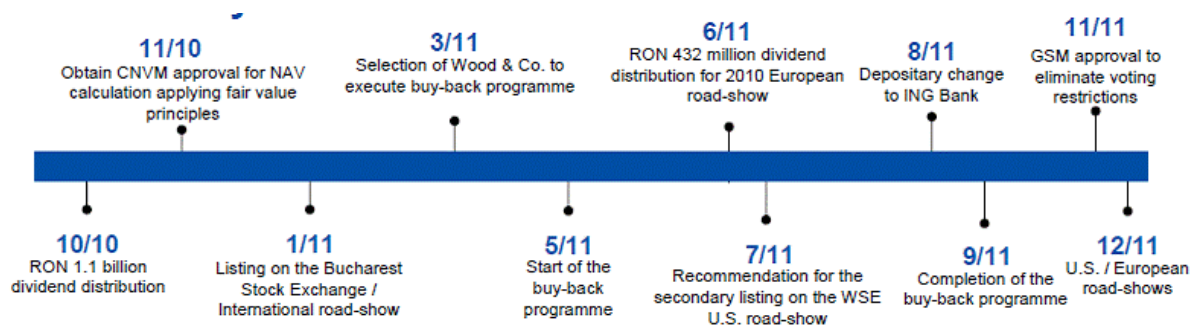
The downward trend of the Fund's NAV performance in the second half of 2011 was correlated with the overall conditions on the Bucharest Stock Exchange ("BVB"), which impacted the valuation of the listed holdings in the Fund's portfolio. In 2011, the Bucharest Stock Exchange performed better than the largest markets in Central Europe, as shown in the table below:

% change in 2011	in local currency	in EUR
BET-XT (Romania)	-13.8%	-14.5%
PX (Czech Republic)	-25.6%	-26.6%
BUX (Hungary)	-20.4%	-29.7%
WIG20 (Poland)	-21.9%	-30.7%
ATX (Austria)	-34.9%	-34.9%

We provide details on the portfolio management on a monthly basis via fact sheets and also in quarterly reporting. We encourage you to read the full details given in the section Analysis of the Portfolio of the Fund.

The Fund's 2011 audited net profit was RON 543.8 million, an increase of almost 20% or RON 87.6 million compared to the net profit for 2010 of RON 456.2 million. As a result, we intend to recommend to shareholders a gross dividend of RON 0.03854 per share arising from 2011 profits, based on the dividend policy stated in the Fund's listing prospectus. Subject to shareholders' approval, the distribution of dividends is expected to start in June 2012.

Key Achievements



Some of the key objectives achieved in 2011 included:

- January : Listing the Fund on the Bucharest Stock Exchange and organizing the first international road-show, which put Romania back on the radar screens of large foreign institutional investors;
- March: Completed the first step in the implementation of the first share buy-back programme, by selecting Wood & Co. to execute the buy-back programme;
- May: Started the buy-back programme;
- June: Distributed the 2010 dividend of RON 432.7 million (RON 0.03141 per share), which represented the second distribution to the Fund's shareholders since taking over as Fund Manager. In total, RON 1.5 billion (RON 0.1130 per share) was paid out to the Fund's shareholders in less than nine months. At the same time, we organized a road-show in Europe to update investors on the latest developments of the Fund;
- July: Began investigating the options for a secondary listing of the Fund on the Warsaw Stock Exchange. We also continued our efforts to ensure widespread understanding of the Fund by organizing a road-show in the United States;
- August: Completed a selection process for the new Depositary of the Fund upon the expiration of the contract with Bancpost. ING Bank became the Depositary of the Fund on 18 August;
- September: Completed the buy-back programme;
- November: Shareholders' approval to eliminate the voting restrictions. The decision became effective on 13 January 2012;
- December: U.S. and European road-shows.

First Year after Listing on the Bucharest Stock Exchange

The Fund was listed on the Bucharest Stock Exchange on 25 January 2011; the benefits arising from the listing included:

- The Fund had the largest free float on the BVB at RON 5.7 billion (EUR 1.3 billion) as at 31 December 2011;
- 9.97 billion shares of the Fund were traded on the BVB in 2011, equivalent to over 74% of the Fund's paid share capital. During the fourth quarter, 1.8 billion shares of the Fund were traded on the BVB, compared to 3.6 billion shares in the third quarter and 2.3 billion shares in the second quarter. The value of all trades in the Fund's shares exceeded RON 5.1 billion (EUR 1.2 billion);

- The listing of the Fund on the BVB has attracted large foreign institutional investors to the Fund; these investors increased their holdings in Fondul Proprietatea from 10% at the end of 2010 to over 42% of the paid share capital by the end of 2011. During the last quarter of 2011, foreign institutional holdings increased by over 6 percentage points (over 840 million shares);
- The listing of the Fund led to a doubling of the average daily turnover on the BVB in 2011 in comparison to 2010. Fondul Proprietatea was by far the most traded share on the exchange with an average daily value amounting to 54% of the average daily turnover of the BVB in 2011.

Investor Relations Update

In order to raise the Fund's profile and visibility among a broader international institutional investor base, and to ensure a broad understanding of the Fund's underlying portfolio, we organized several events during 2011, including: a Romanian Day in London (April) in partnership with the Bucharest Stock Exchange; three extensive road-shows in the main financial centres of Europe (January, June, and December) plus two in the US (July and December); and participated in five global and regional emerging market conferences to continue to update investors about Fondul Proprietatea. In addition to the quarterly results conference calls held in May, August, and November, we organised an Investors' Day event in October for analysts and institutional investors to meet with our team as well as the management teams of the top portfolio companies, and organised site visits to Hidroelectrica and Nuclearelectrica.

One of the key objectives for 2011 was to increase transparency at the portfolio level. The Fund published the annual reports, detailed financial statements and auditors' reports for its top 20 portfolio companies, which account for almost 90% of the NAV, in order to facilitate a deeper understanding of the intrinsic value of the underlying holdings.

Communication with investors remains a top priority in order to ensure that they are informed about the latest developments. We will also continue to seek their feedback as we strive to maximise shareholder value.

Secondary Listing Update

In July 2011, after detailed analysis and following discussions with eight leading investment banks, we announced our recommendation for the secondary listing of the Fund on the Warsaw Stock Exchange (the "WSE") in early 2012. In order to progress with the preparation of a proposal to list the Fund on the WSE, we initiated the selection process for the investment banks interested in sponsoring the transaction and met with the market regulators in Romania and Poland as well as the central depositaries in Bucharest and Warsaw.

To facilitate investor demand, we recommended that the secondary listing should be combined with an offering of up to 10% of the existing shares of the Fund, and various methods to accumulate the shares for the placement were considered, including acquiring shares through a tender offer, a buy-back or by other means. The feasibility of applying these innovative methods is dependent on positive interpretation of the Romanian laws and regulations from the CNVM. Given that such structures have not been previously applied to a similar transaction in Romania, based on initial feedback received from CNVM, it appears that there are more obstacles than previously envisaged. However, discussions are ongoing and we remain committed to working with the regulator to reach a positive outcome. We expect to give further updates on the project in the first half of 2012.

The secondary listing transaction would be a major step forward for the development of the Fund and we believe it is in the best long-term interest of all shareholders. In addition, the secondary listing would be a major milestone in the development of the Romanian market as it would increase coverage from analysts, attract a diversified pool of institutional investors, raise awareness and understanding of the Fund and also of the portfolio companies listed on the Romanian market.

Buy-Back Programme

At the September 2010 General Shareholders Meeting, the Fund's shareholders authorised us to repurchase up to 10% of the outstanding shares before 1 March 2012, at a price per share within the RON 0.2 to RON 1.5 range. The Fund only had RON 120.3 million in available reserves to use for the share buy-backs (this figure derives from the 31 December 2010 financial statements prepared in accordance with Romanian Accounting Regulations).

In an effort to enhance the intrinsic value per share of the Fund, we initiated the buy-back programme in the first half of 2011 and had completed it by the end of the third quarter. During the programme, 240.3 million shares, equivalent to 1.74% of the Fund's share capital were repurchased, at an average price of RON 0.4994, for a total amount of RON 120.3 million.

At the General Shareholders Meetings on 23/25 November 2011, we proposed to cancel the treasury shares, but the proposal was not voted on due to the lack of a quorum (attendance of at least 50% of the paid share capital is required for such a decision). The proposal to cancel these shares will be carried forward to the 2012 shareholders meetings.

Outlook for 2012

Romania has already taken its 'bitter medicine' applied by the International Monetary Fund ("IMF") and, as a result, is well positioned to experience accelerated growth in the coming years. Of course, 2012 can still be challenging due to the problems in the eurozone, but once these problems ease, the Romanian economy could well be the first to emerge from the European crisis with strong economic growth. Most of the other EU countries have yet to apply the difficult measures that Romania has already undertaken.

This state of affairs has been recognized by rating agencies with Fitch upgrading Romania this year from BB+ to BBB-⁸ while many EU countries suffered serious downgrades.

We also see an appreciation to Romania's sound financial situation in the credit default swap (CDS) market, where the Romanian spread has improved significantly compared to other countries in the region.

Country	CDS (5y USD segment as at 13 February 2012)
Romania	378
Bulgaria	323
Hungary	555
Italy	400
Greece	6,531

Potential drivers of GDP growth in 2012 are retail sales (currently at a low base as it has declined by 20% from its peak in December 2008⁹) and important infrastructure projects (approximately EUR 10 billion of new contracts/tenders¹⁰). These should help to offset a potentially weaker contribution from the country's exports. Overall, based on Government and IMF's forecasts, GDP should grow by 1.75%-2.25% in 2012.¹¹

The Romanian currency (RON) has already showed its relative strength this year when it outperformed almost all major regional currencies including those of Poland, Hungary, Czech Republic and Turkey¹². In 2012 we expect a further relative strengthening of the RON.

⁸ Source: Bloomberg

⁹ Source: National Institute of Statistics

¹⁰ Source: The Ministry of Transports and Infrastructure

¹¹ Source: IMF

¹² Source: Bloomberg

For the capital markets, we hope that 2012 will be an even more exciting year than 2011, when closed-end investment company Fondul Proprietatea was listed and immediately became by far the most liquid company on the Bucharest Stock Exchange. In addition, we hope to see a number of secondary offerings including Petrom, Transelectrica and Transgaz and most importantly, the IPOs of Romgaz, Hidroelectrica and Nuclearelectrica progressing or coming to fruition. These transactions, if successful, should also have a positive impact on the Fund's portfolio, significantly increasing the proportion of listed companies in the portfolio.

Last but not least, we anticipate that the elections of 2012 may be somewhat disruptive to the process of reform and may create some degree of uncertainty but in the long-term, we believe the elections will strengthen democracy.

Unlocking Value: The Next Steps

While 2011 was a successful year in terms of protecting the value of the underlying holdings in the Fund's portfolio, 2012 should be the year of unlocking that value. The listings of the larger state-owned enterprises, the professional management to be selected to enhance the profitability of these assets, and the successful enforcement of the new corporate governance code are all important actions we can look forward to this year.

At the same time, we will continue to actively manage the Fund's portfolio, which may bring material changes to its structure. We will continue to promote the Fund and the Romanian capital market to prospective and current investors, and to work towards the listing the Fund on the Warsaw Stock Exchange.

In addition, we will continue to monitor how closely the level of the Fund's Net Asset Value is reflected in the share price and, where appropriate recommend further actions to create more value for the Fund's shareholders.

We are confident that our active, bottom-up investment process will allow us to deliver the best long-term results for our shareholders and we look forward to the opportunities ahead for Fondul Proprietatea.

General Shareholders Meeting

Last but not least, we would like to take this opportunity to invite all shareholders to attend the General Shareholders Meeting to be held in Bucharest, at the Radisson Blu Hotel on Wednesday, 25 April 2012.



Grzegorz Maciej Konieczny
Legal Representative and Portfolio Manager
Franklin Templeton Investment Management Ltd.
United Kingdom, Bucharest Branch



Dr. Mark Mobius
Executive Chairman
Templeton Emerging Markets Group

Analysis of the Activity of the Fund

General Information

Main activities of Fondul Proprietatea

Fondul Proprietatea is a Romanian legal entity, incorporated as a joint stock closed-end investment company. The Fund is registered with the CNVM in the category “Other Organizations for Collective Investments – AOPC” and has been listed on the regulated market of the BVB since 25 January 2011.

The main activities of the Fund according to the National Statistical Classification of Economic Activities in Romania (“CAEN”) and the Fund’s own Constitutive Act are the business of operating mutual funds and other similar financial entities (CAEN reference 643) and the main activity is financial investments (CAEN reference 6430).

Incorporation of the Fund

The Fund was incorporated by the Romanian State in 2005 as a joint stock company with the initial purpose of providing compensation to individuals whose real property assets were illegally confiscated by the Romanian State during the Communist regime, and which can no longer be returned to those individuals in kind.

The Fund’s original Constitutive Act was enacted by Government Decision no. 1481/2005 regarding the incorporation of S.C. Fondul Proprietatea S.A. (“Government Decision 1481”), which determined that the Fund would be an undertaking for collective investments organised as a closed-end investment company. However, the Fund was only officially registered by the National Securities Commission (“CNVM”) as a closed-end investment company in 2010 (by CNVM decision no. 34/18 August 2010).

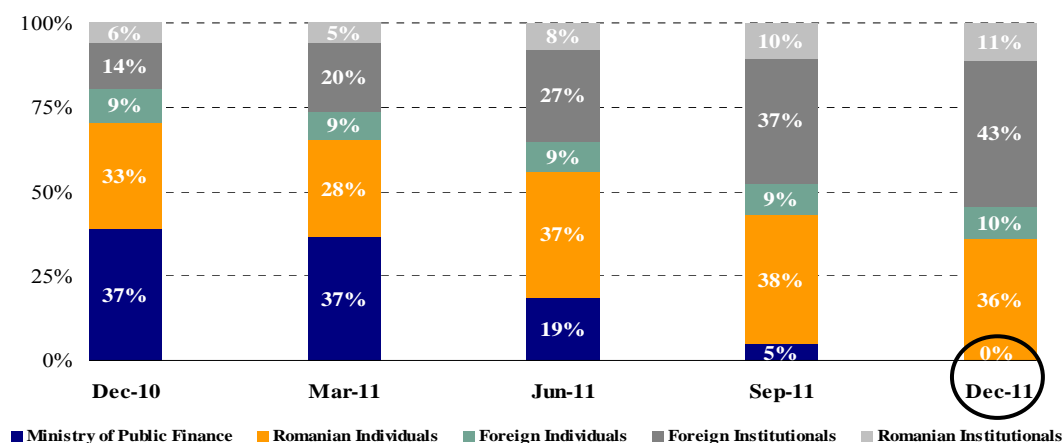
The initial sole shareholder of the Fund was the Romanian State. Since the Fund’s launch, these shares have been gradually awarded by the National Authority for Property Restitution to individuals legally entitled to receive compensation from the Romanian State and who elected to convert their compensation entitlements into shares issued by the Fund. As a result, given that the compensation and conversion process is ongoing, the Romanian State’s participation in the share capital of the Fund is continually decreasing.

Employees of the Fund

As at 31 December 2011 the Fund had only one employee, who is on child care leave. Given that the Fund is administrated by the Fund Manager, it is envisaged that in future the Fund will not have any employee. The termination of the remaining employee’s contract will be carried out according to Romanian legislation. The Fund’s employee is not a member of a trade union. There were no disputes between the Fund Manager and employees during the year.

Share Capital

The evolution of the shareholder structure during the year is illustrated by the following chart:



The shareholder structure as at 31 December 2011 was as follows:

Shareholder Categories	% of subscribed share capital
Foreign institutional shareholders	42.14%
Romanian private individuals	34.89%
Foreign private individuals	9.37%
Romanian institutional shareholders	9.15%
Ministry of Public Finance	0.02%
Treasury shares ¹³	1.74%
Unpaid shares ¹⁴	2.69%

Changes Affecting the Capital of the Fund:

At the beginning of the year, the subscribed capital of the Fund was RON 13,778,392,208, and the paid-up capital was the same.

During 2011, there were some changes in the number of Fund's shares corresponding to paid-in share capital as follows:

- The Fund Manager issued the Decision 24/31 May 2011 and confirmed that the shareholder Romanian State represented by the Ministry of Public Finance did not fulfil the obligation of the transfer of 1,002,301 shares of Electromecanica Ploiesti SA, subsidiary of CN Romarm, to the Fund, evaluated at RON 21,436,245.
- The Fund Manager issued the Decision 34/23 August 2011 and acknowledged that the Romanian State consented to compensate the amount of RON 9,730,381 representing the amounts recovered from the forced execution of SC World Trade Center SA and from the increase of share capital of SC Plafar SA with the amount of RON 21,436,245 (representing the value of 21,436,245 shares of the Fund unpaid by the Romanian State represented by the Ministry of Public).
- The Fund Manager issued the Decision 35/23 August 2011 and confirmed that the shareholder Romanian State represented by the Ministry of Public Finance did not fulfil the obligation of the transfer of 2,951,053 shares of Uzina Mecanica Bucuresti SA, subsidiary of CN Romarm, to the Fund, evaluated at RON 20,024,890.
- The Fund Manager issued the Decision 36/23 August 2011 and confirmed that the shareholder Romanian State represented by the Ministry of Public Finance did not fulfil the obligation of the transfer of 19,226,031 shares of Nuclearelectrica to the Fund, with a value of RON 340,796,918.
- The Fund Manager issued the Decision 51/23 December 2011 and acknowledged that the Romanian State consented to compensate the amount of RON 1,704,560, representing the nominal value of the 170,456 shares in Hidroelectrica SA received by the Fund free of charge, according to GEO 81/2007 during 2011.

As a result of the five decisions above, the subscribed capital of the Fund remained unchanged at RON 13,778,392,208 and the paid-up capital decreased by RON 370,823,112 to RON 13,407,569,096.

There are ongoing litigations that may have an effect on the unpaid share capital.

¹³ 240,304,801 shares acquired by the Fund through buy backs

¹⁴ Shares unpaid by Romanian State represented by the Ministry of Public Finance

Governing Legislation

The Fund operates in accordance with the applicable provisions of the following laws:

- (a) Law no. 31/ 1990 regarding trading companies, save to the extent varied by the more specific legislation relating to the Fund described below;
- (b) Government Decision no. 1481/2005 regarding the incorporation of S.C. Fondul Proprietatea S.A.;
- (c) Title VII of Law no. 247/2005 regarding the reforms in the sectors of justice and property as well as certain related measures, with subsequent amendments;
- (d) Government Emergency Ordinance no. 81/2007 for the acceleration of the compensation procedure related to the real estate abusively confiscated, with subsequent amendments;
- (e) CNVM Regulation no. 4/2010 (“CNVM Regulation 4/2010”) regarding the registration with the CNVM and operation S.C. Fondul Proprietatea S.A., as well as trading of shares issued by it;
- (f) CNVM Regulation no. 15/2004 (“CNVM Regulation 15/2004”) regarding the authorization and operation of the investment management companies, of the undertakings for collective investments and of the depositaries;
- (g) Law no. 297/2004 regarding the capital market, with subsequent amendments;
- (h) CNVM Regulation no. 1/2006 (“CNVM Regulation 1/2006”) regarding issuers and securities trading;
- (i) CNVM Regulation no. 6/2009 (“CNVM Regulation 6/2009”) on the exercise of certain rights of the shareholders in the general shareholders meetings of companies;
- (j) CNVM Disposal of Measures 17/2010, which amended CNVM Regulation 4/2010 on the calculation of NAV of Fondul Proprietatea .

Branches

During 2011 the Fund had no branches.

Subsidiaries

The Fund controls the following companies, which under Romanian applicable laws, qualify as subsidiaries of the Fund, all of which are incorporated and operate in Romania. In the Fund Manager’s opinion, none of the subsidiaries referred to below qualify as a significant subsidiary.

Name	Ownership interest
Alcom SA	71.89%
Carom – Broker de Asigurare SA	70.00%
Comsig SA	69.94%
Delfincom SA	65.50%
Prestari Servicii SA	70.55%
Primcom SA	78.97%
Romplumb SA	51.00%
Telerom Proiect SA	68.63%
Zirom SA	100.00%

Corporate Reorganisation of the Fund and its Subsidiaries

During the 2011 there were no mergers or significant reorganisations of the Fund.

In November 2011, the General Shareholders Meetings of **Primcom SA**, **Delfincom SA** and **Prestari Servicii SA** approved the merger of the three companies, with Primcom SA as absorbing company, while Delfincom SA and Prestari Servicii SA were the absorbed companies. The merger was completed in January 2012.

Analysis of the Portfolio of the Fund

Net Asset Valuation

The key performance indicator of the Fund is its Net Asset Value ("NAV"). The Fund is required to publish a monthly NAV per share in accordance with CNVM regulations no later than 15 calendar days after the reporting month end.

All NAV reports are published on the Fund's website at www.fondulproprietatea.ro, together with share price and discount information.

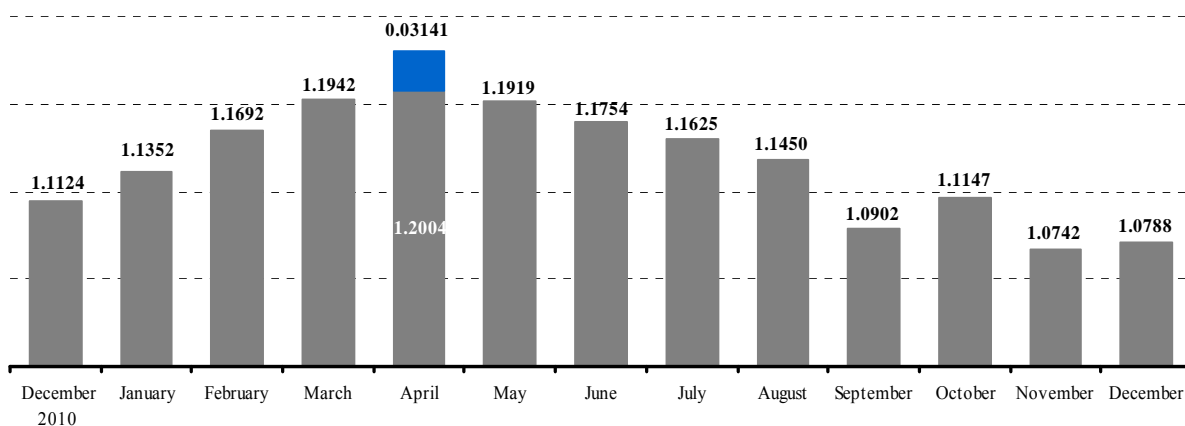
NAV Methodology

In November 2010, CNVM Regulation 4/2010 was amended by the CNVM Disposal of Measures no. 17 based on best international practice suitable for a closed-end listed fund.

In 2011 listed securities have been valued at closing market prices, while illiquid or unlisted securities are valued using either shareholders' equity value per latest financial statements, proportionally with the stake held, or according to international valuation standards which permit fair valuation.

The following chart shows information on the monthly published NAVs per share for the period 31 December 2010 to 31 December 2011:

NAV/share (RON/share)



The blue section within April 2011 NAV represents the value per share of the dividend distribution approved in April 2011, which was recorded in that month, with a corresponding reduction in NAV.

After the overall increase of Fund's NAV per share in the first half of 2011 (despite the reduction of NAV due to the dividend declared in April), the Fund's NAV decrease in the second half of the year was principally due to the fall in the prices of listed securities in the portfolio, mainly OMV Petrom (whose share price fell by 24% in the second half of the year), following the general trend of regional markets.

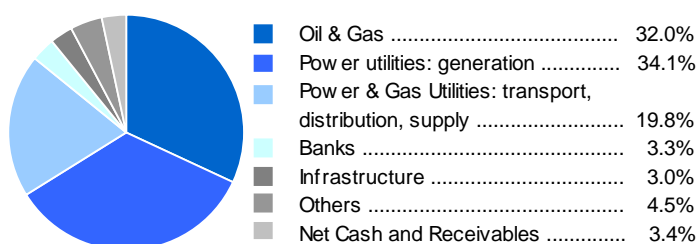
A specific reason for part of the decrease of the NAV in November was the change in valuation method used for Nuclearelectrica, from shareholders' equity per share to adjusted shareholders' equity per share. The decision to change the valuation method for this holding related to the fact that the company's shareholders' equity includes certain amounts representing Romanian state contributions

to Nuclearelectrica in the period 2006 – 2010, granted for the acquisition of heavy water, with the intent to increase the share capital of the company by those amounts, in favour of the Romanian state. The negative effect on the NAV per share was RON 0.0170.

Investment Strategy and Portfolio Analysis

The Fund's investment objective is long-term capital appreciation, primarily through investments in Romanian equities and equity-linked securities. The equity exposure amounted to 96% of the Fund's NAV as at 31 December 2011. As at that date the portfolio included holdings in 75 companies (29 listed and 46 unlisted), a combination of privately-held and state-owned enterprises. During 2011, the percentage share which the Fund held in its investments ranged from less than 1% up to 100%.

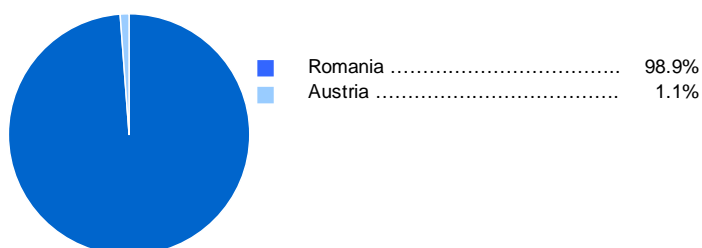
Portfolio Structure - by Sector



- The portfolio remained heavily weighted in the power, oil and gas sectors (approx. 85.8% of the NAV), through a number of listed and unlisted Romanian companies.
- Net cash and receivables includes bank deposits, current bank accounts, treasury bills, dividend receivables, as well as other current assets, net of all liabilities and provisions

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2011, based on NAV submitted to CNVM.

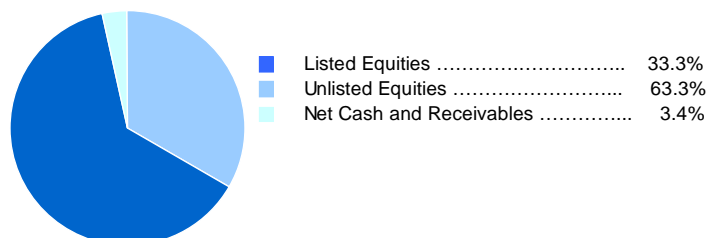
Portfolio Structure - by Country



- Exposure to Austria includes the holdings in Erste Group Bank AG and Raiffeisen Bank International AG.

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2011, based on NAV submitted to CNVM.

Portfolio Structure – Equity Investments - Listed Versus Unlisted



- The largest unlisted company is Hidroelectrica (36.5% of the total value of unlisted companies in the portfolio).
- The largest listed company is OMV Petrom (68.5% of the total value of listed companies in the portfolio).

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2011, based on NAV submitted to CNVM.

Top 20 Equity Investments

		Fund's Stake (%)	Value as at 31 December 2011	
No	Name		(RON million)	% of NAV
1	Hidroelectrica SA	19.94%	3,340.4	23.1%
2	OMV Petrom SA	20.10%	3,303.4	22.8%
3	Romgaz SA	14.99%	1,220.2	8.4%
4	Complexul Energetic Turceni SA	24.78%	522.6	3.6%
5	Nuclearelectrica SA	9.72%	507.0	3.5%
6	Transgaz SA	14.98%	394.1	2.7%
7	GDF Suez Energy Romania SA	12.00%	338.7	2.3%
8	ENEL Distributie Muntenia SA	12.00%	337.2	2.3%
9	CN Aeroporturi Bucuresti SA	20.00%	322.4	2.2%
10	ENEL Distributie Banat SA	24.12%	316.7	2.2%
11	Complexul Energetic Rovinari SA	23.60%	290.2	2.0%
12	BRD – Groupe Societe Generale SA	3.60%	271.9	2.0%
13	Complexul Energetic Craiova SA	24.35%	266.8	1.9%
14	Electrica Distributie Muntenia Nord SA	22.00%	238.1	1.7%
15	Alro SA	10.20%	236.9	1.6%
16	E.ON Moldova Distributie SA	22.00%	220.8	1.5%
17	ENEL Distributie Dobrogea SA	24.09%	218.7	1.5%
18	Electrica Distributie Transilvania Sud SA	21.99%	183.5	1.3%
19	Transelectrica SA	13.49%	172.2	1.2%
20	Electrica Distributie Transilvania Nord SA	22.00%	170.9	1.2%
Top 20 portfolio holdings			12,872.7	89.0%
Total financial assets (portfolio holdings)			13,972.6	96.6%
Net cash and receivables			492.8	3.4%
Total NAV			14,465.4	100.0%

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2011, based on NAV submitted to CNVM.

Key Portfolio Developments in the Period

Acquisitions and Disposals

During 2011, the Fund increased its exposure to **Alro SA**, **Azomures SA**, **BRD Groupe Societe Generale SA** and **Conpet SA**. The Fund also added three new holdings to its portfolio: **Erste Group Bank AG**, **Raiffeisen Bank International AG** and **Banca Transilvania SA**.

The Fund sold its entire holdings in **Familial Restaurant SA**, **Laromet SA**, **Marlin SA**, **Zamur SA** and **Vitacom SA** through public auctions, at prices equal to or above the values carried in the NAV of the Fund and part of its holding in **Oil Terminal SA** on the open market.

The Fund submitted a request to dispose of its shares held in **Comcereal Harghita SA** at the price approved by the General Shareholders Meeting of the company during the delisting process from the Bucharest Stock Exchange and the disposal was registered in the Fund's records in October 2011, upon the completion of registration with the Trade Register.

Retizoh SA was a company in the process of liquidation. The liquidation proceeds for the investment in Retizoh were received by the Fund in May 2011 and the company was removed from the Trade Register and consequently from the Fund's portfolio in August 2011.

Mergers

In November 2010, the General Shareholders Meetings of **Electrica Furnizare Transilvania Nord SA**, **Electrica Furnizare Muntenia Nord SA** and **Electrica Furnizare Transilvania Sud SA** approved the merger of the three companies and delegated the responsibility for the merger project planning to the companies' Boards of Directors. The registration of the new company Electrica Furnizare was completed by the Trade Registry on 22 July 2011.

In November 2011, the General Shareholders Meetings of **Primcom SA**, **Delfincom SA** and **Prestari Servicii SA** approved the merger of the three companies, with Primcom SA as absorbing company, while Delfincom SA and Prestari Servicii SA were the absorbed companies. This merger was completed in January 2012.

Legislation Changes

At the end of November 2011 the Government approved Emergency Ordinance 109/2011 on corporate governance principles to be applied by the state-owned enterprises. The new regulation which is in line with OECD principles of corporate governance, reinforces the separation between the State's capacity as shareholder and the responsibilities and duties of company directors and executive management. The regulation establishes transparent criteria and procedures for selecting the candidates proposed to sit on the Boards of Directors / Supervisory Boards of state-owned enterprises and confirms the Board's role in selecting and supervising the performance of Executive management. At the same time, the new regulation significantly improves minority shareholders rights in state-owned enterprises by allowing shareholders to request the application of cumulative voting for the election of the Board of Directors/ Supervisory Board and increasing the overall transparency and level of disclosure of state-owned enterprises towards shareholders and the general public.

In December 2011, Parliament approved and the President signed Law 302/2011 that sets out the obligation for state-owned enterprises from Fondul Proprietatea's portfolio to be listed by the end of 2012. The law was published in the Official Gazette on 9 January 2012. According to the Law, a total of 19 state-owned companies accounting for over 51% of Fund's portfolio should be listed by the end of 2012.

Information on the Portfolio Companies

Alro

RON million	2009	2010	2011*	9 months 2010	9 months 2011
Sales	1,410.5	1,812.2	2,241.4	1,336.6	1,702.8
Operating profit	61.9	289.4	370.0	227.6	332.4
Net profit	78.2	159.8	230.0	131.5	222.4
Dividends	133.9	159.8	-	-	-

*preliminary results

In the second quarter of the year, Vimetco N.V, Alro's majority shareholder, announced their intention to conduct together with Conef SA a secondary public offering of up to 21% of the company's shares. On 30 June 2011, Vimetco announced their decision to postpone the offering due to adverse market conditions.

October 2011: Alro's management announced plans to adjust production as a result of energy shortages. At the end of September, following the severe drought affecting its operations, Hidroelectrica, Alro's major electricity supplier, activated the force majeure clause on all its power supply contracts.

BRD – Groupe Societe Generale

RON million	2009	2010	2011*	9 months 2010	9 months 2011
Net Banking Income	3,605	3,687	3,227	2,652	2,404
Gross Operating Income	2,074	2,244	1,850	1,626	1,367
Net Risk Cost	1,134	1,598	1,289	1,053	904
Net profit	774	533	465	474	382
Dividends	195	125		-	-

* preliminary results

From January 2012 Romanian banks will prepare financial statements only according to International Financial Reporting Standards (IFRS). While BRD has already been publishing annual IFRS financial statements along with the statutory statements, quarterly and semi-annual financial statements were still published only under local accounting regulations.

CN Aeroporturi Bucuresti

RON million	2009	2010	2011*
Sales	396.5	460.1	546.6
Operating profit	82.5	54.2	111.9
Net profit	74.1	52.8	99.2
Dividends	37.0	49.7	-

* Budgeted figures

March 2011: The new terminal of Bucharest Henri Coanda International Airport became operational for passengers on 29 March 2011. The project was part of Phase III of the airport's Development and Modernisation Program. Work started in 2009 and total investment for this project amounted to EUR 60 million. The international departures terminal now has 14 air bridges, up from 5 previously and 24 boarding gates, up from 9 previously.

August 2011: The company reported an increase of 8.2% in the number of passengers serviced in the first six months of the year, to 3.4 million. It also announced gross income for the first six months reached RON 56.9 million, representing a 5.7% increase over the same period of 2010.

December 2011: The company opened the newly refurbished business aviation terminal at Aurel Vlaicu Airport, which is the first step towards its planned conversion into a "City" Airport. The company also announced plans to move most of the commercial traffic from Aurel Vlaicu to Henri Coanda beginning with March 2012.

Complexul Energetic Craiova

RON million	2009	2010	2011*
Sales	1,132.4	1,094.0	1,268.2
Operating profit	(0.7)	8.0	23.7
Net profit	0.3	0.2	2.4
Dividends	0.1	-	-

* Budgeted figures

During the first nine months of 2011 CE Craiova produced 4.05 TWh of electricity, a 15% increase compared with the first nine months of 2010. For the same period, the revenues increased by 12% to RON 1.05 billion.

October 2011: The Romanian Government repealed its previous decision regarding the reorganization of the electricity generation sector by creating "two champions": Electra and Hidroenergetica. The Government approved the Decision for the creation of CE Oltenia as an alternative plan for the restructuring of the electricity generation sector.

December 2011: The shareholders of the coal – fired power plants Complexul Energetic Craiova SA (“CE Craiova”), Complexul Energetic Turceni SA (“CE Turceni”), Complexul Energetic Rovinari SA (“CE Rovinari”) approved the creation of Complexul Energetic Oltenia (“CE Oltenia”) through the merger of the three companies with the lignite-producing company Societatea Nationala a Lignitului Oltenia SA (“SNLO”).

Based on the 31 December 2011 Net Asset Value (“NAV”), the Fund Manager estimates that CE Oltenia would represent around 7.5% of NAV and in this case would be the 4th largest holding in the Fund’s portfolio.

A Memorandum of Understanding between Fondul Proprietatea and the Ministry of Economy, Trade and Business Environment was signed on 29 November 2011 which outlines agreed terms for creating CE Oltenia through the merger of CE Craiova, CE Rovinari, CE Turceni and SNLO.

The main provisions of this Memorandum are as follows:

- Listing the company on the Bucharest Stock Exchange or a block sale of the majority stake to strategic investors within 24 months from the registration of the new company at the Trade Registry Office;
- The Company shall be managed in a two-tier system with a Supervisory Board and an Executive Board;
- The Supervisory Board will consist of seven members and Fondul Proprietatea will recommend two representatives;
- The Executive Board will consist of five members and Fondul Proprietatea will recommend one representative. The recruitment of the members of the Executive Board will be made in a transparent and competitive process of selection, with the help and support of an international head-hunting company;
- Fondul Proprietatea will have the right but not the obligation to sell its shares under the same terms and conditions at any time if the Ministry of Economy, Commerce and Business Environment sells a participation in the Company;
- The Supervisory Board and the Executive Board has the obligation to prepare a restructuring plan that includes an investment plan for the next five years in five months after the registration of the new Company at the Trade Registry Office. The above restructuring plan has to be approved in the General Shareholders Meeting by shareholders who together own minimum 90% of voting rights.

Complexul Energetic Rovinari

RON million	2009	2010	2011*
Sales	1,277.4	1,201.3	1,307.8
Operating profit	13.7	32.0	54.3
Net profit	5.6	0.6	1.7
Dividends	0.5	0.1	-

* Budgeted figures

During the first nine months of 2011 CE Rovinari produced 4.19 TWh of electricity, recording a 15% increase compared with the first half of 2010. For the same period, revenues reached RON 1.05 billion and a 17% increase compared with the first nine months of 2010.

Complexul Energetic Turceni

RON million	2009	2010	2011*
Sales	1,625.3	1,477.4	1,548.8
Operating profit	30.2	4.8	8.6
Net profit / (loss)	21.3	(69.3)	6.0

* Budgeted figures

During the first nine months of 2011, CE Turceni produced 5.78 TWh of electricity, recording a 35% increase compared with the first nine months of 2010. Revenues reached RON 1.53 billion, a 38% increase from the first nine months of 2010.

Electrica Distributie Muntenia Nord (“EDMN”)

RON million	2009	2010	2011*	6 months 2010	6 months 2011
Sales	611.5	596.1	698.9	298.0	337.3
Operating profit	27.7	27.1	30.8	24.2	43.9
Net profit	24.7	26.7	25.9	18.6	39.8

* Budgeted figures

Electrica Distributie Transilvania Nord (“EDTN”)

RON million	2009	2010	2011*
Sales	495.9	510.0	565.4
Operating profit	21.1	13.9	9.2
Net profit	14.0	8.5	7.2

Electrica Distributie Transilvania Sud (“EDTS”)

RON million	2009	2010	2011*
Sales	539.2	593.0	640.8
Operating profit	29.8	21.5	17.4
Net profit	23.2	11.9	15.5

While the tariffs of EDTS have decreased in 2011 compared to 2010 by an average of 3%, EDMN has experienced an average increase of 12%.

Tariffs for both companies are set by Romanian Energy Regulatory Authority (“ANRE”).

RON/MWh	2010 ¹⁵		2011 ¹⁶	
Distribution tariffs	EDTS	EDMN	EDTS	EDMN
High Voltage	21	13.3	21	15.3
Medium Voltage	39.2	34.9	38.5	38.5
Low Voltage	119.4	120.9	114.8	136.3

ENEL Distributie Banat (“EDB”)

RON million	2009	2010	2011*	6 months 2010	6 months 2011
Sales	526.4	556.0	567.9	278.1	289.9
Operating profit	140.3	159.7	163.1	101.0	125.1
Net profit	150.7	148.4	140.2	95.9	114.5
Dividends	-	83.6	-	-	-

* budgeted figures

¹⁵ ANRE order 100/23.12.2009

¹⁶ ANRE order 44/23.12.2010

ENEL Distributie Dobrogea (“EDD”)

RON million	2009	2010	2011 *	6 months 2010	6 months 2011
Sales	391.5	408.0	436.5	200.8	220.4
Operating profit	85.0	107.2	103.8	59.0	65.1
Net profit	92.1	99.6	87.8	56.8	57.2
Dividends	-	56.2	N.A.	-	-

* budgeted figures

ENEL Distributie Muntenia (“EDM”)

RON million	2009	2010	2011*	6 months 2010	6 months 2011
Sales	732.7	733.8	730.6	368.6	348.5
Operating profit	122.9	76.0	69.4	69.1	30.1
Net profit	280.1	105.1	84	128.0	27.6

* budgeted figures

For both EDB and EDD, ANRE set higher distribution tariffs in 2011, while EDM experienced a decrease in distribution tariffs of about 6.3% on average.

RON/MWh	2010 ¹⁷			2011 ¹⁸		
Distribution tariffs	EDM	EDB	EDD	EDM	EDB	EDD
High Voltage	9.4	21.0	21.0	8.9	21.0	21.0
Medium Voltage	28.1	42.0	42.0	26.4	42.0	42.0
Low Voltage	125.8	126.3	112.7	115.9	129.7	123.7

E.ON Moldova Distributie

RON million	2009	2010	2011*
Sales	630.1	626.2	606.0
Operating profit	81.0	190.1	71.0
Net profit	53.6	165.4	53.0

* Preliminary results

For 2011, ANRE approved higher distribution tariffs on the low-voltage segment for E.ON Moldova Distributie.

Distribution tariffs

RON/MWh	2010 ¹⁹	2011 ²⁰
High Voltage	21.0	21.0
Medium Voltage	42.0	42.0
Low Voltage	125.2	133.2

17 ANRE order 100/23.12.2009

18 ANRE order 44/23.12.2010

19 ANRE Order 100/23.12.2009

20 ANRE Order 44/23.12.2010

GDF Suez Energy Romania

RON million	2009	2010	2011*	6 months 2010	6 months 2011
Sales	3,628.8	3,763.9	3,917.0	2,198.8	2,275.8
Operating profit	446.7	205.9	387.0	157.5	4.3
Net profit	380.4	199.4	326.0	141.4	6.0

* budgeted figures

On 6 December 2011 ANRE issued a new order²¹ that came into effect starting with 2012 which set increased gas prices for industrial consumers by about 5%. This adds to the previous two hikes in tariffs for industrial consumers operated by ANRE in the second part of 2011. Since July 2011, gas prices for industrial consumers supplied on the regulated market have increased by c. 23%. For residential consumers tariff levels have been kept unchanged.

Hidroelectrica

RON million	2009	2010	2011*
Sales	2,420.8	3,273.7	2,906.8
Operating profit	162.0	502.7	85.0
Net profit	48.4	292.3	71.0
Dividends	32.6	263.1	-

*budgeted figures

In the first ten months of 2011, hydro power generation reached 13.7²² TWh, a 18% decrease from the first ten months of 2010 (Hidroelectrica produces more than 90% of the hydro power generated in Romania).

2011 financial figures are expected to be negatively affected by increased tariffs imposed for water used by power plants (estimated increase per MWh produced from 5 RON/MWh to 21 RON/MWh).

July 2011: The company signed a EUR 110 million loan with EBRD for the upgrade of the Stejaru-Bicaz power plant.

September 2011: Shareholders decided to increase the share capital of the company with RON 8,546,800 representing the value of land for which the company obtained property rights. Fondul Proprietatea received free shares worth RON 1.704.560. In December 2011 the Fund Manager decided to compensate the free shares received by the Fund from S.C. Hidroelectrica SA with part of the Fund's unpaid shares.

At the end of September 2011, due to a severe drought, the management decided to activate the force majeure clause on all its commercial contracts.

October 2011: The Government repealed its previous decision regarding the reorganization of the electricity generation sector by creating "two champions": Electra and Hidroenergetica.

December 2011: The company CEO, Mr. Trihenea Constantin resigned for personal reasons. Mr. Zachia Dragos, Deputy CEO took over the CEO responsibilities. Mr. Zachia graduated Polytechnic University in Bucharest majoring in Hydroelectricity Generation in 1982. Immediately after graduation he joined Hidroelectrica's Ramnicu Valcea Branch as an engineer. He subsequently held different positions within the company such as Head of Power Plant, Head Engineer, Head of Generation Department and since November 2010 he has been the company's Deputy CEO.

A process has been started to select a new CEO. To this purpose, an international executive search company is going to be hired.

²¹ ANRE order 48/06.12.2011

²² As reported by the National Institute of Statistics on 7 December 2011.

According to the latest Letter of Intent signed by the Government with IMF the company will be listed in 2012.

Nuclearelectrica

RON million	2009	2010	2011*
Sales	1,526.7	1,540.3	1,640.6
Operating profit	325.3	155.9	225.8
Net profit	49.4	13.1	13.6

* budgeted figures

During the first nine months of 2011, Nuclearelectrica's revenues reached RON 1.09 billion, a 3% increase from the first nine months of 2010. For the same period the gross profit increased to RON 127 million from RON 9 million recorded in the first nine months of 2010.

January 2011: GDF Suez, RWE and Iberdrola withdrew from the project to build reactors 3 and 4 at the Cernavoda nuclear facility. As a result, Nuclearelectrica increased its participation in the project to 84.7% by purchasing the shares previously owned by these three companies.

October 2011: The Government repealed its previous decision regarding the reorganization of the electricity generation sector by creating "two champions": Electra and Hidroenergetica.

November 2011: The Government published on the website of Ministry of Economy, Trade and Business Environment a draft of Emergency Ordinance regarding the future share capital increase of Nuclearelectrica with the value of heavy water bought for Reactors 3 and 4 using allocations from the State budget. According to the draft of Emergency Ordinance, since 2006 the Romanian State has transferred to Nuclearelectrica an amount of RON 1,442.5 million as State allocations for buying heavy water from Regia Autonomă pentru Activități Nucleare, a 100% state controlled company for Reactors 3 and 4. The amount received was registered by Nuclearelectrica as reserves in shareholders equity. The implementation of this Emergency Ordinance may result in the reduction of the value of the stake held by the Fund in Nuclearelectrica. Based on these facts in November the Fund decided to reduce the value of the stake held by the Fund in Nuclearelectrica by an amount of RON 228 million, resulting in a corresponding decrease of the Fund's NAV.

On 29 December 2011 an Emergency Ordinance published in the Official Gazette, stated that in the future the heavy water needed for reactors 3 and 4 would be purchased directly by the Romanian State and not by Nuclearelectrica. Consequently, as of January 2012, Nuclearelectrica will no longer receive budget allocations to purchase heavy water for nuclear reactors 3 and 4.

December 2011: Mr. Pompiliu Budulan, resigned from the position of CEO. Mr. Dumitru Dina, Head of Nuclear Safety Supervision Department, took over the CEO responsibilities. Mr. Dina graduated from Polytechnic University in Bucharest in 1971, majoring in nuclear power plants. After graduation, he worked for the Institute for Studies and Power Engineering (Institutul de Studii si Proiectari Energetice) (design office for energy sector) holding different positions in the Nuclear Safety Department. He also worked for RENEL (former state owned holding company that included Nuclearelectrica) and since 2006 was the Head of the Nuclear Safety Supervision Department.

A process has been started to select a new CEO. To this purpose, an international executive search company is going to be hired.

According to the latest Letter of Intent signed by the Government with IMF the company will be listed in 2012.

OMV Petrom

RON million	2009	2010	9 months 2010	9 months 2011
Sales	16,089.7	18,615.7	13,158	16,224
Operating profit	1,620.5	2,985.5	2,012	3,754
Net profit	833.3	2,189.7	1,411	2,921
Dividends	-	1,002.6	-	-

March 2011: OMV Petrom announced the decision to permanently close the Arpechim refinery, which had been operational for only three months during 2010. A sale was deemed unfeasible, given excess refining capacity in Europe and lack of interest from potential buyers. The site will be partially converted into a crude and fuel storage facility and employees will benefit from severance payments.

May 2011: OMV Petrom announced the success of five key new wells which will contribute around 6% of OMV Petrom's daily gas production in Romania.

June 2011: The Company made the first deliveries of electricity to the grid from the newly built Brazi gas fired power plant.

July 2011: OMV Petrom announced a potentially significant gas discovery in southwestern Romania. Exploration well 4539 Totea was tested at a maximum rate of around 3,100 boe/day of gas and associated condensate.

July 2011: The Government's attempt to sell a 9.84% stake through a Secondary Public Offering on the Bucharest Stock Exchange was not subscribed at the minimum level necessary for the offering to be considered successful, namely 80%. Government officials have stated there will be another attempt to sell the same stake in the first quarter of 2012.

July 2011: OMV Petrom confirmed its decision to enter a new exploration phase of the Neptun block in the Black Sea, in partnership with Exxon Mobil Exploration and Production Ltd. The investment includes the drilling of the first deep-water exploration well in the Romanian waters of the Black Sea by the first quarter of 2012.

October 2011: OMV Petrom announced the start of commercial operations of wind park Dorobantu, which has an installed capacity of 45MW and is located in Dobrogea, southeast Romania. Total investment in this project was EUR 90 million.

October 2011: Oil price hedges were extended into 2012 for 30,000 bbl/d, locking in Brent a price of USD 101/bbl. The contracts expire at the end of 2012.

November 2011: The Company announced the launch into production of the largest onshore gas and condensate well in Romania on the Totea field, with an initial production of 3,200boe/day. Additional field appraisal was expected to confirm this as the most important onshore gas discovery in Romania in the past six years.

November 2011: The company received a statement of objections from the Romanian Competition Council concerning an alleged breach of antitrust regulations with respect to the withdrawal of the retail product Eco Premium (unleaded gasoline pre-mixed with lead substitute) from the Romanian fuels market. Subsequently in January 2012 the company received confirmation from the Competition Council about the result of the antitrust investigation, which resulted in a fine of 366.5 million RON on OMV Petrom and 137.3 million RON on OMV Petrom Marketing S.R.L., a 100% owned subsidiary of OMV Petrom. The company is of the opinion that the fines imposed are not justified and will challenge the Competition Council's decision in the courts.

December 2011: OMV Petrom announced it contracted a medium-term multi-currency revolving credit facility amounting to EUR 930 million with a tenor of three years and a possibility of extension for two more years. This credit facility will be used for general corporate purposes including financing current investments program.

Romgaz

RON million	2009	2010	2011*	6 months 2010	6 months 2011
Sales	3,193.5	3,852.9	3,950.2	2,170.6	2,247.4
Operating profit	716.9	812.2	821.8	366.9	607.9
Net profit	572.5	651.2	651.2	225.7	488.0
Dividends	572.5	720.1	-	-	-

* budgeted figures

Dividends for 2010 were higher than reported net profit due to Romgaz's Board of Directors proposal to distribute an additional special dividend from previous years' undistributed income of RON 134.1 million.

The Ministry of Economy, Trade and Business Environment initiated the process of listing Romgaz on the Bucharest Stock Exchange through an Initial Public Offering of 15% of shares of the natural gas producer. In January 2012 a consortium formed by Goldman Sachs, Erste-BCR and Raiffeisen Capital & Investment was selected to manage this transaction.

Transelectrica

RON million	2009	2010	2011*	9 months 2010	9 months 2011
Sales	2,485.1	2,545.7	2,904.3	1,814.6	1,955.9
Operating profit	100.0	79.6	163.2	56.7	215.8
Net profit	6.1	9.6	90.3	5.2	153.5
Dividends	3.7	8.5	-	-	-

* preliminary results

In 2011, the transmission tariff approved by ANRE was 10.4% higher compared to 2010. There has been no announcement yet as regard a change in tariff for 2012.

September/October 2011: The Ministry of Economy, Trade and Business Environment organized a tender offer to select the brokers for the offering to the market of an additional 15% of shares of Transelectrica. The outcome of the tender was the selection of a consortium of three brokers - Banca Comerciala Romana, Intercapital Invest and Swiss Capital - in charge of the offering. The placement is expected to take place in the first months of 2012.

Transgaz

RON million	2009	2010	2011*	9 months 2010	9 months 2011
Sales	1,187.4	1,313.0	1,348.3	915.7	940.5
Operating profit	345.1	443.7	454.9	331.0	327.9
Net profit	298.6	376.4	392.0	284.2	283.9
Dividends	153.3	338.7	-	-	-

* preliminary results

July 2011: The company announced that the value of the Regulated Asset Base (RAB) at the beginning of the second regulatory period (2007 – 2012), was RON 1,860 billion and also made public the levels of the investments for each year until 2011. At the end of 2010, the estimated level of the RAB was RON 2,269.8 billion.

September 2011: The Company announced that Sibiu Court denied the request made by "Gaz Romania" Labour Union, which requested a presidential injunction in order to suspend the decision taken by shareholders on 10 June 2011 regarding the approval of the value of dividends to be paid during 2011 based on the profits recorded in 2010.

November/December 2011: The Ministry of Economy, Trade and Business Environment organized a tender offer to select the brokers for the offering to the market of an additional 15% of shares in Transgaz. A consortium formed by Raiffeisen Capital & Investment, Wood & Company Financial Services and BT Securities was selected to manage the transaction.

Bankruptcies, Insolvencies and Dissolutions

The following companies from Fund's portfolio are in insolvency, bankruptcy or dissolution:

- SC B A T Service SA (sole registration code 16086637) is a company under bankruptcy procedure starting with 26 May 2010 according to the Commercial Decision 666 issued by the Buzau Court related to file 4339/114/2009.
- SC FECNE SA (sole registration code 369432) is a company under bankruptcy procedure starting with 4 October 2010, according to the Commercial Decision 6001 issued by the Bucharest Court related to file 23328/3/2006.
- SC Simtex SA (sole registration code 324490) is a company under bankruptcy procedure starting with 1 September 2010, according to Commercial Decision 5213 issued by the Bucharest Court related to file 5768/3/2008.
- SC Carbid Fox SA (sole registration code 1247115) is a company under bankruptcy procedure starting with 2 April 2007, according to Commercial Decision 381 issued by the Mures Court related to file 1137/1371/2007.
- SC Gerovital Cosmetics SA (sole registration code 334493) is a company under bankruptcy procedure starting with 6 January 2010, according to Commercial Decision issued by the Bucharest Court related to file 22491/3/2007.
- SN Plafar SA (sole registration code 11945506) is a company under juridical reorganisation procedure starting with 17 January 2010, according to Commercial Decision issued by the Bucharest Court related to file 3368/3/2009.
- World Trade Center Bucharest SA (sole registration code 364354) is a company under insolvency procedure starting with 8 June 2010, according to Commercial Decision issued by the Bucharest Court related to file 45619/3/2011.

The companies are reflected at zero value in the NAV.

Participation in Share Capital Increases/Bonus share Issuance of Portfolio Companies

SC Hidroelectrica SA: In September 2011, the company's Board of Directors approved a share capital increase of RON 8,546,800 representing value of land and the share capital increase was finalized in November 2011. Thus, the share capital of Hidroelectrica increased from RON 4,440,967,650 to RON 4,449,514,450 while the shareholder structure remained the same. The Fund's holding increased by 170,456 free shares, at the nominal value of 10 RON/share.

Financial Risk Management

Given the nature of its business, the Fund is exposed to various risks, which include: market risk, credit risk, liquidity risk, operational risk and the risks related to the economic environment. The management monitors the reduction of the potential adverse effect associated with these risk factors on the financial performance of the Fund.

With effect from 29 September 2010, the Fund Manager implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

i) Market risk

The market risk includes foreign currency risk, interest rate risk and price risk.

Foreign currency risk

The Fund can make investments in financial instruments or perform transactions denominated in foreign currency. As a result, the Fund is exposed to the risk that fluctuations in exchange rates can have an adverse effect on the value of the net assets of the Fund denominated in foreign currency.

As at 31 December 2011, the main foreign currency exposure derived from the Fund's investment in shares with a carrying value of EUR 38.5 million (RON 166.1million equivalent). Cash accounts and receivables denominated in foreign currency are not significant, only amounting to EUR 7,824 and EUR 399,879 respectively.

Interest rate risk

The majority of the financial assets of the Fund are not interest bearing. The interest bearing financial assets (deposits and treasury bills) have generally short term maturity, deposits up to 3 months and treasury bills up to 12 months. As a result, the Fund has a limited exposure to variations in interest rates.

Price risk

Price risk is the risk that the value of the securities fluctuates as a result of changes occurring on the capital market, and it is determined by factors specific to an issuer, industry, country or region or that otherwise influence the capital market overall. This is the most significant source of risk and variability in the value of the Fund.

This risk has become more material in recent years, especially from the second part of 2008, given the extremely large reductions in value of the stock exchange quotations for some of the securities in the Fund's portfolio. It has been necessary to book impairment adjustments in certain cases during recent years, and these negatively influenced shareholders' equity. During 2009, 2010 and the first part of 2011 impairment adjustments previously booked have been partially reversed due to market recoveries, but in the second part of 2011 significant impairment adjustments have been recorded for some of the listed equity investments of the Fund.

The listings of the state-owned enterprises from the Fund's portfolio planned for 2012 may have a significant impact on the valuation of these holdings in the Fund's financial statements.

ii) Credit risk

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills and dividends receivable.

For treasury bills held, the credit risk is assessed as low to moderate, given that their issuer is the Romanian State through the Ministry of Public Finance.

Cash held by the Fund that is not invested in portfolio companies or treasury bills may be invested in short term bank deposits. After the Fund's management was taken over by the Fund Manager, a formal policy regarding bank counterparty risks and limits was established. The Fund only establishes new deposits with financial institutions with credit ratings above investment grade. The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

iii) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's equity investments include unlisted securities, which are not traded in a regulated public market and generally may be considered illiquid. As a result, the Fund may not be able to liquidate quickly some of its investments in these instruments in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the credit worthiness of any particular issuer.

The Fund's listed equity securities are listed on the Bucharest Stock Exchange or Vienna Stock Exchange. However, not all the shares listed on the Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions.

The Fund prudently manages liquidity risk by maintaining sufficient liquid assets to finance current liabilities.

iv) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations.

The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative.

v) Operating environment

The process of risk repricing during 2007 and 2008 as well as during the second part of 2011 in the international financial markets severely affected the performance of those markets, including the Romanian financial market, and fostered heightened uncertainty with regard to economic developments going forward.

The ongoing global credit and liquidity crisis has resulted in, among other things, lower level and difficult access to the capital market funding and lower liquidity levels across the Romanian banking sector.

Ongoing fears that the deterioration of financial conditions could contribute, at a later stage to a further retrenchment in confidence, prompted a coordinated effort of governments and central banks to adopt special measures aimed at countering a vicious circle of growing risk aversion and helping minimise the effects of the financial crisis and finally restoring normal market conditions. However, political and economic turmoil in the emerging markets is expected to continue, and this can impact the value of the Romanian economy, and consequently the Fund's portfolio companies and its shares.

vi) Risks arising from potential changes in the legislation governing the Fund

The existence, operation and even the initial structure of the Fund's portfolio are regulated by primary legislation, as well as by secondary legislation such as government decisions and CNVM regulations. Hence, it may not be ruled out that the current legal framework be changed so as to directly affect the Fund, and therefore its shareholders. This risk is sustained by the legislative history of the past few years that reveals a series of laws which have changed also the Fund's Portfolio compositions. Such legal changes would have to be carried out in compliance with the constitutional principles regulating the guarantee of the private property. Notwithstanding to the general principle described above, the numerous instances where the relevant institutional structures have ruled on the unconstitutionality of certain laws, prove that the risk of legislative changes which may adversely affect the Fund and which may be passed in breach of the Constitution may not be ruled out.

Key Financial Activity of the Fund

Fund Liquidity

Summary % net cash & cash equivalents in NAV

RON million	31 Dec 2010	31 Mar 2011	30 Jun 2011	30 Sep 2011	31 Dec 2011
Current accounts	7.2	8.3	29.8	2.5	1.9
Bank deposits	1,071.3	598.1	672.9	306.7	296.4
Treasury bills	248.0	283.6	15.9	48.6	195.9
Total liabilities	(69.3)	(51.7)	(245.4)	(54.6)	(42.2)
Net cash & cash equivalents	1,257.2	838.3	473.2	303.2	452.0
Net Assets Value	15,328.2	16,455.2	16,171.2	14,616.2	14,465.4
% net cash & cash equivalents in NAV	8.20%	5.09%	2.93%	2.07%	3.12%

The table above shows the change in the net cash position as a percentage of the NAV.

The decrease of total liabilities over the second half of the year was mainly accounted for by the payment of the 2010 dividend and related taxes. In April the shareholders approved a distribution of a gross dividend of RON 432.7 million or RON 0.03141 per share, related to 2010 profits, payable to shareholders beginning with 30 June 2011.

The decrease of the bank deposits during 2011 as compared to December 2010 was due to the cash outflows related mainly to the acquisitions of shares, payment of dividends and related taxes and buybacks. A further reason for the decrease in the second half of the year was the acquisition of treasury bills, after part of the treasury bills previously acquired reached maturity in June. The increase in June was mainly accounted for by the collection of dividends from the portfolio companies.

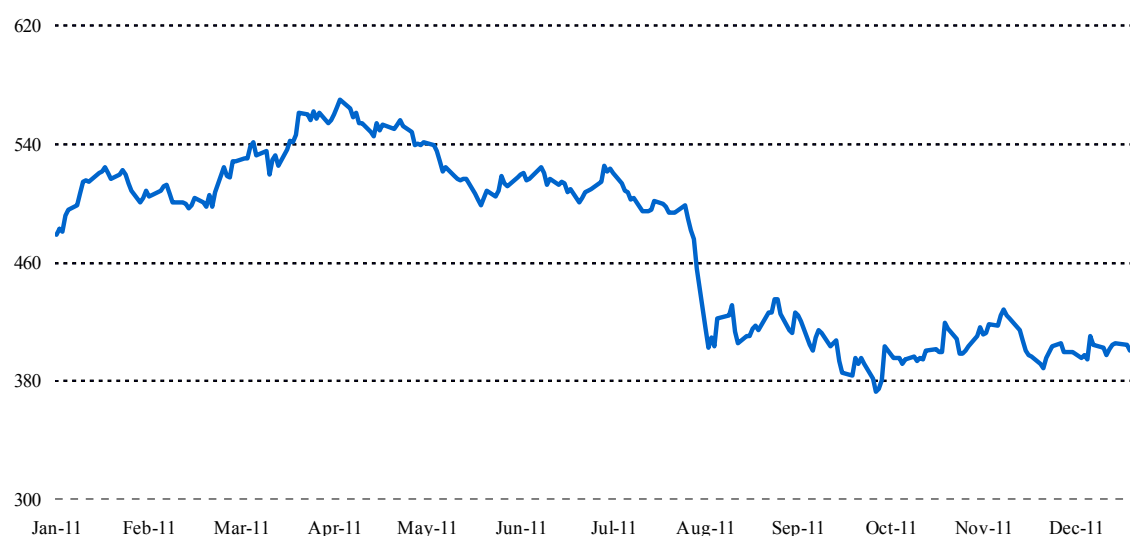
Total Expense Ratio

The total expense ratio of the Fund as at 31 December 2011 was 0.38% (2010: 0.34%). This figure represents the total expenses of the Fund divided by the period end NAV. For the purpose of this calculation, expenses do not include foreign exchange losses, carrying value of equity investments disposed, impairment adjustments, interest expenses or corporate income tax. It should be noted that the expenses and fees have been chargeable on a different basis before and after 29 September 2010, due to the different administration systems in place. Some expenses such as CNVM fees and investment management and administration fees were only charged for part of 2010, and while in 2011 they were recorded for the whole year.

Income from Investments

The main objective of the Fund is long term capital appreciation primarily via investments in Romanian equities, with strict adherence to the principles of value investing. At the end of 2011, the Fund's exposure to Romanian equities accounted for 96% of the NAV, while 1% of the NAV was invested in the Austrian banks, Erste and Raiffeisen. Therefore, the performance of the Fund was affected by the fluctuations of these markets.

The BET-XT index, which reflects the performance of the top 25 most liquid stock listed on the Tier 1 of the BVB, decreased by 13.8% over the course of 2011. The broader BET-C Index fell by 15.7% in 2011. Overall, the Romanian market outperformed the largest Central European markets, especially Poland and Austria, where the main market indices fell by 30.7%, respectively 34.9%.

BET-XT**BET-C**

Source: BVB

The income arising from the main activities of the Fund was influenced by the performance of the portfolio companies and their decision on dividend distributions, as well as by money market performance.

Further information on the Fund's financial results can be found in the Financial Statements Analysis section.

Capital Expenditure

The Fund did not incur any capital expenditure during 2011.

Litigations

The main types of litigations in which the Fund is involved vary depending on the subject matter and on the court position of the Fund as defendant or claimant, as follows:

(a) Fund as claimant:

- disputes against certain portfolio companies relating to the Fund's ownership right over shares issued by these companies and allocated to the Fund by law;
- disputes against the Romanian public authorities/institutions for recovery of certain securities/receivables attributed to the Fund by law;
- disputes against certain portfolio companies challenging certain corporate operations approved by these companies and requesting annulment of the shareholders' decision thereof;
- disputes against certain portfolio companies related to the payment of dividends and default interest on unpaid dividends;
- disputes against the boards of certain portfolio companies related to decisions issued by them which are in breach of fiduciary duties.

(b) Fund as defendant:

- complaints lodged by the Fund's shareholders requesting the annulment/nullity of certain shareholders' decisions of the Fund;
- complaints lodged by certain persons for the recovery of real estate assets which have been abusively confiscated during the communist regime;
- complaints lodged by certain public authorities/institutions related to the recovery of certain assets/securities from the Fund's portfolio;
- complaints lodged by certain shareholders for the payment of dividends/default interest on the unpaid dividends;

As at 31 December 2011 the Fund was involved in certain litigations, either as defendant or claimant. The Fund discloses in the financial statements those litigations which may have significant effects on the Fund's financial position or profitability. The most important litigations were the following:

1. The Fund is involved in several litigations regarding delayed payment penalties requested from companies which have not yet paid dividends to the Fund for the year 2005 (some of the dividends have since been paid to the Fund pursuant to the Fund winning the law suits). Such litigations are yet to be resolved. During 2011 the most common practice of the Romanian courts was to accept the Fund's claims.

The claims filed by the Fund are in compliance with the provisions of Law 31/1990 as republished and further amended and these amounts should be due and paid to the Fund. These amounts are only recognised as revenues when their recoverability becomes highly probable (the Court rules irrevocably in the Fund's favour).

2. There is currently a court litigation involving the Fund and Nuclearelectrica.

In this file, the Fund has sued Nuclearelectrica and the Ministry of Economy and Commerce (now the Ministry of Economy, Trade and Business Environment) and asked the court to record the transfer in the Nuclearelectrica's shareholders register of a total of 20,077,953 shares from the Ministry portfolio to the Fund portfolio in order to update the initial stake of the Fund in Nuclearelectrica, taking into account the bonus share capital increases that took place between 1 February 2006 and 13 November 2007.

The litigation was solved at the first stage by the Bucharest Court with the Court ruling against the Fund. The Fund has appealed the decision of the Court and the Bucharest Court of Appeal ruled against the Fund. The Fund will file the second appeal asking the High Court of Cassation and Justice to issue the final and irrevocable decision.

For safety reasons, given that the decision issued by the first court in this case is enforceable, the Fund has blocked a total of 340,796,918 shares issued by the Fund and owned by the Ministry of Public Finance, in amount of RON 340,796,918 being computed based on the valuation report issued in October 2007 by an independent evaluator (Finevex SRL Constanta) for the shares presumed to be owned by the Fund in Nuclearelectrica. The Fund considered that in fact the Ministry of Public Finance has not contributed to the share capital of the Fund with this amount. After the courts will issue an irrevocable decision regarding this case the Fund will propose to its shareholders measures in order to solve the issue of unpaid share capital, if it is the case.

As at 31 December 2011 the Fund owned 24,676,222 shares representing 9.72% of the share capital of the Nuclearelectrica, as recorded at the Trade Register Office.

3. On the role of the courts there are many litigations started by the Fund against the merger plans for creating Hidroenergetica and Electra; in many of these cases the courts have decided to suspend the merger and in two of them the courts ruled in favour of the Fund and decided to block the merger plan. The merger process and the creation of Electra and Hidroenergetica were blocked and the Romanian Government decided to renounce this project. In October 2011, the Romanian Government repealed its previous decision regarding the reorganization of the electricity generation sector for creating Electra and Hidroenergetica and the Government approved as an alternative plan for the restructuring of the electricity generation sector, the creation of Complexul Energetic Oltenia by merging Complexul Energetic Turceni, Complexul Energetic Rovinari and Complexul Energetic Craiova with Societatea Nationala a Lignitului Oltenia.
4. Some minority shareholders of the Fund have filed claims against the Fund with the Court requesting the cancellation of certain resolutions of certain general shareholders meetings. In one of these cases the Bucharest Court announced that it found in favour of the claimant for the annulment of certain shareholders decisions from the General Meeting of 6 September 2010, relating to approving the Constitutive Act, revoking the mandates of the Supervisory Board and the Board of Directors, appointing Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch as the Sole Administrator of the Fund and appointing the members of the Board of Nominees. The full decision has not yet been issued by the court and can be appealed. We noted that, on 29 November 2010 and 23 November 2011 the shareholders of Fondul Proprietatea approved once again the Constitutive Act of Fondul Proprietatea and for the avoidance of doubt, all the decisions approved at those General Shareholders Meetings remain in full force and effect.

Other contingencies of the Fund included:

1. The Fund shall receive the following amounts from the Romanian State:
 - a the amount resulting from the trading on the Romanian or foreign stock exchange markets of the first 3% of Romtelecom SA shares;
 - b 20% of the amounts resulting from the privatization of Romtelecom SA;
 - c 9.9% of the amounts resulting from the privatisation of C.E.C. SA;

These amounts should be recorded as payments for the unpaid capital or as increases of the share capital by the Romanian State once they are collected, with the approval of shareholders, according to the legislation in force.

2 The receivables from World Trade Center Bucharest SA:

Section II, Article 4 of GEO. 81/2007 stipulates the transfer from AVAS to the Fund of receivables from World Trade Center Bucharest SA amounting to USD 68,814,198 (including the original principal and related interest and penalties) on 29 June 2007.

On 1 October 2007 a reception minute was concluded between AVAS and the Fund based on which all documents related to the receivables due from World Trade Center Bucharest SA were transferred to the Fund.

On 4 October 2007, the Fund notified World Trade Center Bucharest SA regarding the cession of the receivables. Meanwhile, the transfer was registered with the Electronic Archive for Pledges.

Currently, World Trade Center Bucharest SA is the object of insolvency procedure, the next hearing being set for 28 March 2012.

In 2008, World Trade Center Bucharest SA paid USD 200,000 to the Fund, in 2009 USD 200,000 and in 2010 USD 110,130.69, EUR 148,700.76, RON 8,724,887.92. No such payments have been made to the Fund during 2011. In accordance with GEO 81/2007, these cash receipts reduced the balance of the receivables in respect of equity contributions.

Given the uncertainties regarding their recoverability, the World Trade Center Bucharest SA receivables were recognised on receipts basis in the Fund's financial statements.

Market for Securities Issued by the Fund

Trading of the Fund's Shares

As of 31 December 2010 shares issued by the Fund were not traded on any stock exchange. Pursuant to Law no. 142/2010, the Fund was required to apply for admission to trading on the regulated market of the BVB within 90 business days as of the date of registration with the CNVM as an undertaking for collective investment (closed-end investment company) which was on 18 August 2010. Since no public offering of the Fund's shares was made, the admission to trading on the regulated market of BVB was intended to be purely administrative in nature.

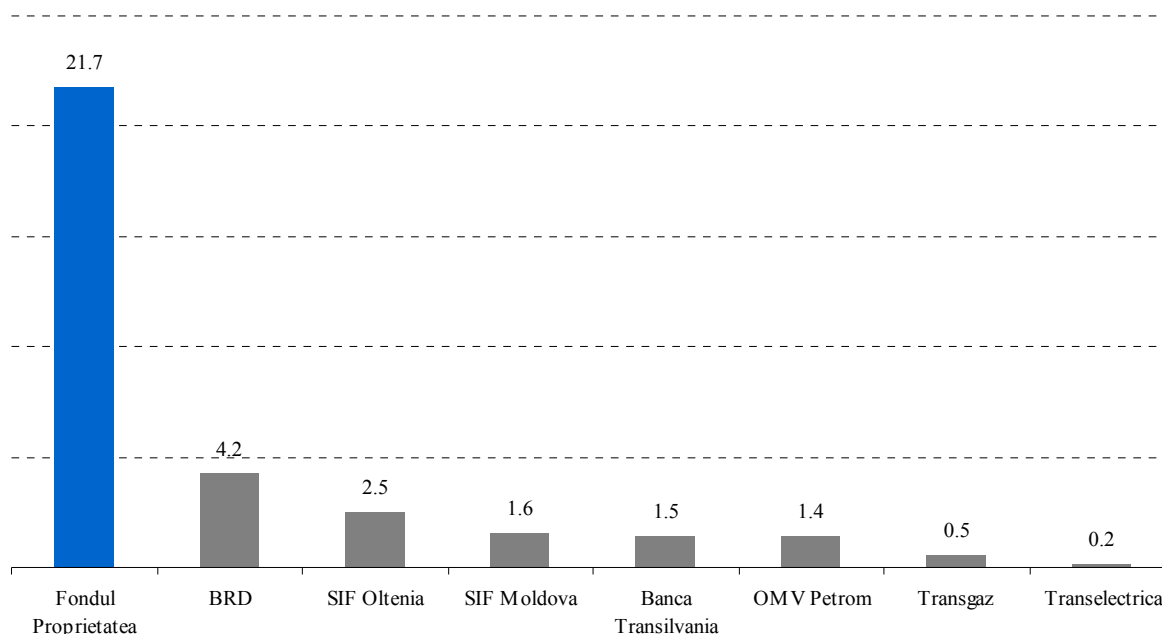
The Fund applied for admission to trading in December 2010 in the Tier I category of the BVB. The Fund's listing prospectus was approved by the CNVM on 16 December 2010 and by the BVB on 6 January 2011.

The prospectus included all material information about the Fund as required by the European Union and CNVM regulations, including profiles of all the companies in the Fund's portfolio. The information provided in the prospectus allows shareholders and potential investors to better assess the value of the Fund. A copy of the prospectus and its annexes are available at www.fondulproprietatea.ro.

Since 25 January 2011 the Fund has been listed in the Tier I category of the regulated market of the BVB under ISIN number ROFPTAACNOR5 and market symbol FP.

The records of shares and shareholders of the Fund are kept under the conditions of the applicable law by an independent registrar, SC Depozitarul Central SA ("Central Depository"), with the registered office at Bucuresti, 34-36 Carol I Avenue, floors 3, 8 and 9, 2nd district.

Average Daily Turnover (RON million)



Fund's Share Price in the Year ended 31 December 2011 (RON/share)



Dividends

The Fund's dividend policy was defined in the December 2010 Prospectus for Listing as follows: "In the absence of exceptional market conditions or circumstances, the Fund Manager intends to recommend to shareholders the distribution of 100% of distributable revenue profits each year, broadly defined as gross dividend income received from investments and interest earned on cash deposits, less expenses and taxation, subject to legal and taxation regulations". Current legislation requires the Fund to transfer 5% of its profits to legal reserves until that reserve reaches a value equivalent to 20% of the value of the issued share capital of the Fund.

Dividend History

The amount of total gross dividend, gross dividend per share for 2006 - 2010, total number of shares, as well as the status of dividend payments as at 31 December 2011, is included in the table set out below:

Financial year	Gross dividend declared (RON)	Gross dividend per Share	Total number of shares *	Status of dividend payment (%)	Deadline for dividends collection by shareholders
2006	36,076,046	0.0025	14,240,540,675	99%	30 June 2012
2007	89,997,678	0.0066	13,644,179,910	99%	30 June 2012
2008-2009 (aggregate)	1,124,316,804	0.0816	13,778,392,208	99%	11 October 2013
2010	432,729,046	0.03141	13,776,792,208	99%	30 June 2014

* The total number of shares based on which the dividends have been distributed is the number of Fund's shares in issue at the registration date decided upon by the OGSM approving the dividend distribution, less any unpaid shares and/or buybacks (where applicable).

2011 Dividend proposal

The Fund Manager intends to recommend to shareholders a gross dividend of RON 0.03854 per share arising from 2011 profits, based on the dividend policy stated in the Fund's listing prospectus. Subject to shareholders' approval, the distribution of dividends is expected to start in June 2012.

Share Buy-Back Programme

At the September 2010 General Shareholders' Meeting, the Fund's shareholders authorised the Fund Manager to repurchase up to 10% of the outstanding shares before 1 March 2012, at a price per share within the RON 0.2 to RON 1.5 range. The Fund only had RON 120.3 million in available reserves to use for the share buy-backs (this figure derives from the 31 December 2010 financial statements in accordance with Romanian Accounting Regulations).

In an effort to enhance the intrinsic value per share of the Fund, the Fund Manager initiated the buy-back programme in the first half of 2011 and it had completed it by the end of the third quarter. During the programme, 240.3 million shares, equivalent to 1.74% of the Fund's share capital were repurchased, at an average price of RON 0.4994, for a total amount of RON 120.3 million.

At the General Shareholders Meetings on 23/25 November 2011, the Fund Manager proposed to cancel the treasury shares, but the proposal was not voted due to the lack of a quorum (attendance of at least 50% of the paid share capital is required for such a decision). The proposal to cancel these shares will be carried forward to the 2012 shareholder meetings.

Subsidiaries Owning Fund's Shares

None of the subsidiaries of the Fund hold shares in the Fund, according to the information made available to the Fund.

Issued Debt

The Fund had no bonds or other debt securities in issue during 2011.

Corporate Governance of the Fund

The Fund has a clear and transparent corporate governance framework that was concluded in 2011. The framework sets out clearly, for public reference, the main aspects of the Fund's corporate governance structure, the respective functions of the Board of Nominees and the Fund's Sole Administrator, as well as their powers and responsibilities and is published on the webpage of the Fund. The Fund develops and updates its corporate governance framework, so that it can meet new demands and opportunities.

The Fund has a transparent decision-making process, relying on clear rules, in order to enhance shareholders' confidence. It also contributes to the protection of shareholders' rights, improving the overall performance of the Fund, offering better access to capital and risk mitigation.

The Fund gives a great importance to the principles of good corporate governance and, coinciding with its listing at the start of 2011, has adhered to the Bucharest Stock Exchange Code of Corporate Governance.

In September 2010, a one-tier system of governance was implemented in the Fund, as a result of the implementation of the rules established by Government Ordinance 81/2007. Although the Fund is currently administrated by a one-tier system, the role of the Board of Nominees tends to be very similar with the role of a Supervisory Board, with a few distinctions.

Since adopting the one-tier system, the Fund's governance is administrated by the Sole Administrator, which is also the Fund Manager. The Sole Administrator manages the daily operations of the Fund and, as Fund Manager, implements the investment strategy on behalf of the Fund. The Board of Nominees, elected by the shareholders, acts as a monitoring body and follows the activity of the Sole Administrator and Fund Manager, verifying the unrolling of the Investment Management Agreement.

The powers and duties of the above-mentioned bodies are described in: the Constitutive Act of the Fund that is attached to this report as Annex 5 and is available on our website; the Investment Management Agreement, signed between the Fund and Franklin Templeton Investment Management Limited United Kingdom; the Investment Policy Statement, approved by shareholders in September 2009; and other internal regulations.

Commitment to Follow the Principle of Corporate Governance

In accordance with best corporate governance practice, the Fund is managed in a climate of transparency, based on honest discussions between the Sole Administrator and the Board of Nominees.

Both Sole Administrator and its employees and the members of the Board of Nominees have a duty of care and loyalty towards the Fund. Hence, the Sole Administrator and the Board of Nominees pass their resolutions as required for the welfare of the Fund, primarily in consideration of the interests of shareholders and investors.

General Shareholders Meeting

The General Shareholders Meeting ("GSM") shall be convened by the Sole Administrator, with the prior approval of the Board of Nominees, whenever necessary, in accordance with the provisions of the law. The date of the Meeting may not be less than 30 (thirty) days after publishing the convening notice in the Official Gazette of Romania part IV. The convening notice shall be published in the Official Gazette of Romania, part IV, and in one of the widely-distributed newspapers in Romania. In exceptional cases, when the Fund's interest requires it, the Board of Nominees may convene the General Shareholders Meeting. The convening notice will be disseminated to the Bucharest Stock Exchange and the National Securities Commission in accordance with the capital markets regulations. The convening notice will also be made available on the Fund's website under the respective General Shareholders Meeting section, together with any explanatory document related to items included on the General Shareholders Meeting agenda.

The annual financial statements are made available starting with the date of the convening notice of the Annual Ordinary General Shareholders Meeting convened to resolve upon them.

General Shareholders Meeting Organization

The General Shareholders Meeting is usually chaired by one of the legal representatives of the Sole Administrator, who may designate another person to chair the assembly. The chairman of the Meeting designates two or more technical secretaries to verify the fulfilment of the formalities required by law for the carrying out of the Meeting and for the drafting of the minutes thereof.

The minutes, signed by the President and by the technical secretaries, shall ascertain the fulfilment of the formalities relating to the convening notice, the date and place of the Meeting, the agenda, the shareholders present, the number of shares, a summary of the issues discussed, the resolutions passed and, upon the request of the shareholders, the statements made by such shareholders during the meeting.

The resolutions of the General Shareholders Meeting shall be drafted pursuant to the minutes and shall be signed by the person empowered by the shareholders to do this. In observance of the capital market regulations, the resolutions of the General Shareholders Meeting will be disseminated to the Bucharest Stock Exchange and the National Securities Commission within 24 hours after the event. The resolutions will also be made available on the Fund's website under the respective General Shareholders Meeting section.

General Shareholders Meeting Main Duties

The main duties of the Ordinary General Shareholders Meeting are the following:

- a) to discuss, approve and amend the annual financial statements after reviewing the reports of the Fund Manager and financial auditor;
- b) to establish the distribution of the net profit and to establish the dividends;
- c) to appoint the members of the Board of Nominees 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 Board of Nominees, the Fund Manager and of the financial auditor for the ongoing fiscal year;
- 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 approve the strategies and the development policies of Fondul Proprietatea;
- j) to establish the annual income and expenditure budget, and to approve 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.

The Extraordinary General Shareholders Meeting is entitled to decide mainly upon:

- 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 whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
- i) change of the management system of Fondul Proprietatea;
- j) limitation or cancellation of the preference right of the shareholders;
- k) approves the Investment Policy Statement;
- l) any other amendment of the constitutive act or any other resolution requiring the approval of the extraordinary general shareholders meeting according to applicable law or to this Constitutive Act.

Board of Nominees

The Board of Nominees consists of five members elected by the Ordinary General Shareholders Meeting in accordance with the provisions of the Constitutive Act in force.

The mandate of three members (Bogdan Alexandru Drăgoi, Sorin-Mihai Mîndruțescu and Cristian Bușu) of the Board of Nominees' started in 29 September 2010 and runs until 28 September 2013. The mandate of the other two members (Doru-Petru Dudaș and Simion-Dorin Rusu) of the Board of Nominees' started in 28 April 2011 and runs until 27 April 2014.

The Board of Nominees has a sufficient number of members in order to have effective capacity to supervise, scrutinise and evaluate the activity of the Sole Administrator and the fair treatment of all the shareholders.

The composition of the Board of Nominees is balanced so as to enable it to take well-informed decisions. The decision-making process is a collective responsibility of the board, which remains fully answerable for decisions taken within its field of competence.

One member of the Board of Nominees (Sorin-Mihai Mîndruțescu) is independent, in the sense that he does not maintain, nor has recently maintained, directly or indirectly, any business relationships with the Fund or persons linked to the Fund, or shareholders of the Fund, of such significance as to potentially influence them.

The Board of Nominees ensures that consultative committees (Remuneration and Nominalization Committee and Audit Committee) are constituted to examine specific topics chosen by the Board and to report to the Board on the same. One independent Board of Nominees member sits on each such committee (Sorin-Mihai Mîndruțescu). The mandate of each member of the Board of Nominees imposes the same kind of restrictions around confidentiality of the Fund's information and the same kind of reporting and consent requirements on the individual's ability to personally trade in the Fund's shares as are in place for the Sole Administrator's staff.

The members of the Board of Nominees may be shareholders of the Fund.

Board of Nominees Members

The structure of the Board of Nominees as at 31 December 2011 was as follows:

Bogdan Alexandru Drăgoi has been the Chairman of the Board of Nominees, having experience in project management and acquisition finance, serving as business analyst to Inquam Ltd. (UK). During 2007-2008, Mr. Drăgoi has acted as General Director at Bucharest City Hall, after holding the office of Secretary of State in the Ministry of Public Finance in 2006-2007. Mr. Drăgoi has graduated from Tufts University, Fletcher, Boston, Massachusetts in International Relations and Economics. As at 31 December 2011, Mr. Drăgoi held no shares issued by the Fund.

Cristian Bușu has experience in public administration as well as in financial investments. During 2005-2009 he has acted as economic advisor to the Prime Minister of Romania. Prior to that he worked as a broker at Prudential Financial (New York). He has earned a master's degree in business administration at Hofstra University (New York). Prior to his appointment as member in the Board of Nominees, Mr. Bușu has acted as the Fund's Chief Financial Officer. Currently, Mr. Bușu is manager of Marfin Bank S.A. (Romania), Bucharest Branch and is a lecturer at Bucharest Academy of Economical Studies. As at 31 December 2011, Mr. Bușu held a number of 1,349,668 shares issued by the Fund.

Sorin Mihai Mîndruțescu has an extensive experience in various types of corporate finance projects and in banking industry. During 1994-2001 he has held various positions (including management) in a number of large Romanian credit institutions. Currently Mr. Mîndruțescu is a managing director with Oracle Romania. During 2009 – 2011, Mr. Mîndruțescu was the Chairman of the Board of Directors of the American Chamber of Commerce Romania (AmCham), a non-profit and non-political organization that promotes the commercial and economic interests of U.S., international and local business community in Romania. Mr. Mîndruțescu has earned an executive master's degree in business administration at University of Edinburgh Management School and ENCP School of International Management (Paris). As at 31 December 2011, Mr. Mîndruțescu held no shares issued by the Fund.

Doru Petru Dudaș has an extensive experience in financial and fiscal area. During 1990-2009 he worked for the Romanian Ministry of Public Finance, leading the Timisoara unit of the Ministry of Public Finance for more than 16 years. Since March 2009 Mr. Dudaș is a director in the Ministry of Public Finance, legislation department. Mr. Dudaș has earned a doctorate in taxation at University of Vest Timisoara. As at 31 December 2011, Mr. Dudaș held no shares issued by the Fund.

Simion Dorin Rusu is working for Ministry of Economy, Trade and Business Environment as a personal advisor to the Minister. Prior to that, he worked as a lecturer for the College of Europe (Berlin), as an associate assistant in Lucian Blaga University of Sibiu and as a public servant for Sibiu Prefect Office. He has a Masters Degree in Comparative Regional Development from University of Trento, Italy and University of Regensburg, Germany. He is preparing his PhD in international relations and European studies at Babes Bolyai University of Cluj Napoca. As at 31 December 2011, Mr. Rusu held no shares issued by the Fund.

Please see the Significant Post Balance Sheet Events section for the recent changes to the Board of Nominees.

The main powers of the Board of Nominees are as follows:

- (1) Following the information received from the Fund Manager with regard to the summoning of the ordinary and/or extraordinary general shareholders meeting requests, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the general shareholders meeting;
- (2) Receives from the Fund Manager the information in connection with the answers to the written requests submitted before the date of the general shareholders meeting, 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 analyses them, being able to formulate an opinion to be presented to both the Fund Manager and the general meeting;
- (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 shareholders meeting;
- (5) Receives from the Fund Manager for analysis the yearly income and expenditure budget and business plan before to be submitted to approval of the general shareholders meeting and presents an opinion to the Fund Manager and to the general shareholders meeting;
- (6) Receives from the Fund Manager for analysis the strategy in accordance with the Fondul Proprietatea's investment policy before to be submitted to the approval of the General Shareholders Meeting and presents an opinion to the Fund Manager and to the general shareholders meeting;
- (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 Shareholders Meeting for the conclusion of the financial audit agreement and presents an opinion to the Fund Manager and to the general shareholders meeting;
- (9) Reviews on a regular basis the investment policy of Fondul Proprietatea and presents an opinion to the general shareholders meeting at any time it deems necessary, but in any case, at least once a year at the annual ordinary meeting;
- (10) Receives the report of the internal auditor and presents an opinion to the Fund Manager and to the general shareholders meeting;
- (11) Monitors the following, based on information and reports received from the Fund Manager, with the purpose of drafting and presenting a report regarding the developed monitoring activity any time is required by shareholders, but in any case at least once a year, at the general shareholders meeting:
 - the list of all portfolio investments and percentage breakdown by each investment type;
 - a list of major transactions occurring in the Fondul Proprietatea portfolio for the period under review;
 - the total profit of the portfolio and comparison of profit 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 such variations;
 - the performance evaluation report.
- (12) Represents the general shareholders meeting in relation with the Fund Manager from the communication point of view between the two corporate bodies, except for the cases expressly regulated by the Constitutive Act as a direct communication between the general meeting 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 shareholders meeting;

- (14) Under the conditions of art. 13 paragraphs (11) and (14) from the Constitutive Act, calls upon the general shareholders meeting;
- (15) Participates to the general shareholders meetings and presents in these meetings reports in all cases provided by the Constitutive Act or with regard to any issue it deems to be relevant for the shareholders;
- (16) Proposes to the general shareholders meeting 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) whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
- (17) Recommends to the general shareholders meeting the termination of the management contract for the case when the Board of Nominees considers it is beneficial to the shareholders.
- (18) Recommends to the general shareholders meeting any other issues the Board of Nominees considers relevant to shareholders;
- (19) Following the proposal of Fund Manager, recommends to the Extraordinary General Shareholders Meeting the appointment of the public offer intermediary, as well as its remuneration, when it will become necessary that such a company be appointed in relation to the admission to trading of Fondul Proprietatea;
- (20) Approves the delegation by the Fund Manager of certain activities. The delegation will be in force after the approval of CNVM, where required by the legislation in force;
- (21) Is responsible for monitoring the Fund Manager's performance of the Investment Management Agreement.

The responsibilities of the members of the Board of Nominees, as well as the working procedures and the approach to conflicts of interest and own account dealings are governed by the Constitutive Act, relevant internal regulations and the Mandate Agreement signed by each of them.

During the financial year 2011, the Board of Nominees met 7 times (more details presented within the report of the Board of Nominees).

The Board of Nominees may assign limited issues to certain members, acting individually or part of special committees, and may also resort to experts to analyse certain issues. The task of the committees is to issue recommendations for the purpose of preparing resolutions to be passed by the Board of Nominees itself, without thereby preventing the entire Board of Nominees from dealing with matters assigned to the committees.

The Board of Nominees members are appointed by the Ordinary General Shareholders Meeting, based on a transparent procedure of appointment and with the majority of votes of the shareholders. Likewise, the remuneration of the Board of Nominees members is established by the Ordinary General Shareholders Meeting.

Committees

An Audit Committee composed of three Board of Nominees members was established to provide assistance to the governing bodies of the Fund in the area of internal control and financial reporting. This committee reviews the annual financial statements and the proposal for profit distribution. In addition, the Audit Committee analyses the proposal of the independent financial auditor, to be elected by the Ordinary General Shareholders Meeting.

Moreover, this committee supervises the Fund's risk management strategy and its financial performance and assesses the issues subject to the reports of the internal auditors.

The Sole Administrator reports to the Audit Committee at least once a year on the audit plan and any material findings.

The Audit Committee includes members that have the necessary expertise in the area of financial audit and accounting.

As at 31 December 2011 the Audit Committee members were: Cristian Buşu, Sorin Mihai Mîndruţescu and Doru Petru Dudaş.

A Nomination and Remuneration Committee composed of three Board of Nominees members was established to provide assistance to the governing bodies of the Fund in the area of nominalisation and changes in remuneration.

As at 31 December 2011 the Nomination and Remuneration Committee members were: Bogdan Alexandru Drăgoi, Sorin Mihai Mîndruţescu and Simion Dorin Rusu.

The Sole Administrator

The Sole Administrator is appointed and/or revoked by the Ordinary General Shareholders Meeting.

The Sole Administrator's current mandate started on 29 September 2010 and runs until 28 September 2014. The mandate of the Fund Manager is of 4 years and is renewed automatically, if there is no adverse decision of the General Shareholders Meeting, entitled to decide on the termination of the mandate even before its regular lifespan. The Fund Manager will call the Ordinary General Shareholders Meeting with at least 3 months before the termination of the Investment Management Agreement having on the agenda the extension of the mandate or the appointment of a new Fund Manager. The Fund Manager will organise the Ordinary General Shareholders Meeting before the termination of the Investment Management Agreement.

The Sole Administrator issues decisions regularly and whenever necessary for the daily operations of the Fund.

Currently, the Fund is managed by a Sole Administrator and the same legal entity acts as Fund Manager, responsible for investment decisions. This arrangement enables the Fund Manager to perform these functions in a complementary, effective and efficient manner.

The Sole Administrator is responsible for the Fund's executive management. It acts in the best interests of the Fund and protects the general interests of the shareholders.

FTIML Bucharest Branch, as Sole Administrator, is regulated by the CNVM. FTIML is authorised and regulated by the UK Financial Services Authority and is registered as a foreign investment adviser with the United States Securities and Exchange Commission. The Sole Administrator applies global best practices to meet its regulatory obligations and compliance with laws. These include: a Code of Ethics to which all employees are bound; a Conflicts of Interest Policy to evidence compliance by the Sole Administrator with the conflicts of interest requirements as set out in the European Markets in Financial Instruments Directive of 2004; a Data Protection Policy to ensure that its business operations comply with the Data Protection Regulation; an Anti-Bribery Policy to ensure that employees of the Sole Administrator comply with the U.S. Foreign Corrupt Practices Act and applicable foreign bribery regulations of the local jurisdictions where FTIML operates; a Compliance Manual, which describes the compliance and regulatory requirements applicable to FTIML's business and the consequences of failure to comply; regular staff training on compliance and related matters; reinforcement of corporate values which focus on acting in the client's best interests and with integrity and confidentiality; reporting rules governing any proposed personal share dealing in the Fund shares by staff doing sensitive work relating to the Fund.

The Main Duties of the Sole Administrator

As provided by the Constitutive Act, the Investment Management Agreement and Investment Policy Statement, the main duties of the Sole Administrator, performed under the control of the General Shareholders Meeting and the monitoring of the Board of Nominees, are:

- fulfils the necessary and useful operations to achieve the Fund's business objective, except for the operations reserved by the law for the general shareholders meeting, and has all the obligations attributed to it by the applicable law;
- establishes a reference date for shareholders entitled to vote within the general meeting, under the law, and draft the convening notice of the general meeting, after obtaining the prior approval of the Board of Nominees and after adding to the agenda the matters requested by the Board of Nominees;
- upon the written request of any shareholder submitted before the date of the general shareholders meeting, gives responses after obtaining the prior approval of the Board of Nominees, regarding the aspects concerning the activity of Fondul Proprietatea;
- ensures that, if requested by any of the shareholders, a copy or an extract of the minutes of the general meeting shall be given to them and also, after the announcement of the ordinary annual general shareholders meeting is published, makes available to the shareholders the financial statements of the Fund and the reports of the Fund Manager and of the Fund's financial auditors;
- prepares the annual financial statements, drafts the annual activity report, examines the financial auditors' report, presents them to the Board of Nominees before submitting such documents to the general shareholders meeting and makes proposals on the distribution of the profit to the general shareholders meeting, after obtaining the prior approval of the Board of Nominees;
- manages the relationship with the Central Depository with regard to its shareholders register functions;
- prepares 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 shareholders meeting;
- proposes for the prior approval of the Board of Nominees and further, of the general shareholders meeting, of the annual income and expenditure budget and business plan;
- proposes for the prior approval of the Board of Nominees and further, of the general shareholders meeting of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea;
- it is responsible for the implementation of the investment policy and for achieving a proper balance between the profits and the risks related to the Fondul Proprietatea portfolio;
- informs periodically the Board of Nominees on any significant changes in the activities of Fondul Proprietatea and within the structure of its portfolio;
- approves the outsourcing of certain activities, within the limits of the approved budget; respectively delegating the execution of certain activities, with the prior endorsement of the CNVM, where required by applicable legislation;
- based on the proposal of the Board of Nominees submits to the approval of the extraordinary general shareholders meeting any agreement / document which may create binding obligations to Fondul Proprietatea, including but not limited to the purchase, sale, conversion or encumbrance of the assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;

- enters into any agreement/document which may create binding obligations to Fondul Proprietatea, (the purchase, sale, conversion or encumbrance of the assets of Fondul Proprietatea) whose value does not exceed, either individually or cumulated, during a financial year, 20% of the non-current assets, less any receivables, without the approval of the ordinary or extraordinary general shareholders meeting;
- proposes to the ordinary general shareholders meeting the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees, as well as approves the procedure of internal audit and the audit plan;
- decides the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;
- makes available to the Board of Nominees the reports, as well as other necessary documents for exercising the monitoring duties;
- informs at once the Board of Nominees of any litigation or infringement of legislation regarding the Fund Manager, any operation which might be an infringement to the investment policy and about the plans/correction measures for approaching these matters;
- asks for the calling of the general meeting which shall decide properly whenever an issue appears on which the Board of Nominees has a disagreement with the Fund Manager, which can not be resolved amiably;
- proposes to Board of Nominees the recommendation for the Extraordinary General Shareholders Meeting for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration, when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.

The Sole Administrator coordinates the strategic orientation of the Fund.

The Sole Administrator ensures that the provisions of the relevant European and Romanian capital markets legislation are complied with and implemented by the Fund, as earlier presented within this chapter. Likewise, the Sole Administrator ensures the implementation and operation of an accounting, risk management and internal controlling system which meets the requirements of the Fund.

The employees of the Sole Administrator and the persons closely related to them and to the Sole Administrator (the latter term as defined in the applicable capital markets regulations under the Romanian phrase of “*persoană aflată în relații apropiate cu persoane exercitând funcții de conducere*”) have the duty to report to the Sole Administrator and to the CNVM any and all trading/business performed for their own account with (i) shares or other securities issued by the Fund and admitted for trading on regulated markets; and/or (ii) derivative financial instruments relating to securities issued by the Fund and/or (iii) any other instruments relating thereto.

The Sole Administrator has the duty to disclose immediately to the Board of Nominees any material personal interests it may have in transactions of the Fund as well as all other conflicts of interest.

Sole Administrator takes actual and potential conflicts of interest very seriously and it conducts all business according to the principle that it must manage any conflicts of interest fairly between itself and its client (including the Fund) or between multiple clients. The Franklin Templeton group has group-wide policies for managing conflicts of interest and ensuring the ethical conduct of its entire staff which apply to the Sole Administrator. These policies were designed to evidence compliance with the conflicts of interest requirements as set out in the European Markets in Financial Instruments Directive of 2004 and were also submitted to CNVM during the course of the Sole Administrator's licensing application.

All business transactions between the Fund and the Sole Administrator as well as persons or companies closely related to it must be in accordance with the normal industry standards and applicable corporate regulations.

In 2011, the Sole Administrator issued 52 resolutions on all matters requiring its approval in accordance with the Constitutive Act.

The Sole Administrator of the Fund from 29 September 2010

In June 2009, the Fund nominated FTIML as winner of the international tender procedure organised by the Fund for the selection of the Fund's investment Manager and Sole Administrator.

In September 2009, the Fund's shareholders approved the investment policy and the financial offer proposed by FTIML. The Bucharest Branch of FTIML was established in September 2009 and is subject to the global policies, procedures and best practices already in place within the Franklin Templeton group, and FTIML specifically.

In February 2010, the Fund's Ordinary General Shareholders Meeting approved the final form of the Investment Management Agreement which was endorsed by CNVM Decision no. 254 dated 23 February 2010. The Investment Management Agreement was signed on 25 February 2010, its entry into force being dependent on the cumulative fulfilment of the following conditions: (i) the execution of the Investment Management Agreement, (ii) the publication of the general shareholders meeting resolution with the Official Gazette, (iii) the completion of the registration of the Bucharest Branch of FTIML and (iv) the conclusion between the Fund and the Fund Manager of the handover protocol regarding the portfolio.

By decision no. 613 dated 11 May 2010, CNVM authorised the Bucharest Branch of FTIML for the purpose of investment management of the Fund.

With effect from 29 September 2010, Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch took over as the Sole Administrator of the Fund for a period of 4 years.

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch did not have any agreement, understanding or family relationship with the shareholders responsible for appointing it to the position of Sole Administrator. On 31 December 2011 Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch held no shares issued by the Fund.

At the date of this report, Grzegorz Maciej Konieczny, Adrian Cighi and Oana Valentina Truța are the legal representatives of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, each of them having full management powers.

Grzegorz Konieczny, executive vice president/portfolio manager, joined the Franklin Templeton organization in 1995 and has over 15 years of experience in investment and portfolio management. He has research and portfolio management responsibilities in Central and Eastern Europe. Prior to joining Templeton, Mr. Konieczny was director of Capital Market Transactions at Bank Gdanski SA, one of the largest financial institutions in Poland at the time. Mr. Konieczny earned a master's degree in economics and foreign trade from the University of Gdansk (Poland). In 1994, he obtained an investment advisor license from the Polish Securities and Exchange Commission. As at 31 December 2011, Mr. Konieczny held no shares issued by the Fund.

Adrian Cighi has experience in investment management and portfolio analysis. Mr. Cighi has earned a bachelor's degree in Finance from the American International University in London and a master's degree in Accounting and Finance at London School of Economics and Political Science. He was employed as an analyst by major international investment banking and securities firms, such as Goldman Sachs (London) and Lehman Brothers (London). Locally, Mr. Cighi has acted as an investment analyst and management counsellor to Rematinvest (Cluj) and BT Asset Management (Cluj). As at 31 December 2011, Mr. Cighi held no shares issued by the Fund.

Oana Truța has experience in investment management and portfolio analysis. Ms. Truța has earned a bachelor's degree in Finance and Insurance from the Babes Bolyai University in Cluj-Napoca and a master's degree in Quantitative Economics and Finance from the same university.

Prior to joining Franklin Templeton Ms. Truța has acted as an investment analyst at Interdealer Capital Invest. As at 31 December 2011, Ms. Truța held no shares issued by the Fund.

The Remuneration of Sole Administrator and Fund Manager

The fee due to the Fund Manager in accordance with the Investment Management Agreement shall be calculated and paid in RON by the Fund in compliance with the following provisions:

1. The fee shall be calculated based on a fixed commission, mentioned below, and applied to the notional amount according to the following formula:

The fee = the fixed commission multiplied by the notional amount, multiplied by the number of calendar days the payment is related to divided by 365.

Where:

- the fixed commission = the number of basis points per year;
- 1 basis point = 0.0001;
- 1 year = 365 days

The fixed commission per year is composed of:

- Fixed management fee of 37.9 (thirty seven point nine) basis points per year
- Additional administration fee of 10 (ten) basis points per year.

2. The notional amount is the following:

- a) prior to the Fund listing, the average of the monthly values of the Fund's net assets, calculated within the quarter for which the payment is made;
- b) in the period 25 January - 31 December 2011, the market value of the Fund which is defined as the market capitalization of the Fund (the number of issued shares multiplied by the average market price of the Fund's shares calculated for the last 90 days of trading session in a calendar year or the number of the trading sessions left before the end of the year, in case there are less than 90 days of trading session left from the listing until the end of the year);
- c) Beginning with 1 January 2012, the market value of the Fund which is defined as the market capitalization of the Fund (the number of issued shares multiplied by the average market price of the Fund shares calculated for the respective quarter).

3. The fee shall be paid as follows:

- a) prior to the Fund listing (25 January 2011),, quarterly, based on the invoices to be issued by the Fund Manager within 20 business days following the end of the quarter for which payment is made;
- b) in the period 25 January - 31 December 2011, annually, based on the invoices to be issued by the Fund Manager within 20 business days following the end of the calendar year for which payment is made;
- c) beginning with 1 January 2012, the fee shall be paid to the Fund quarterly, based on the invoices to be issued by the Fund Manager within 20 business days following the end of the quarter for which payment is made.

The invoices shall be submitted to the Depositary of the Fund.

The Fund Manager shall provide to the Board of Nominees quarterly and on an annual basis and upon request of the Board of Nominees (where appropriate) a detailed report regarding the fee collected under this Agreement, in the form required by the latter.

4. The payment shall be done by the Fund Manager only after the verification and certification by the Depositary of the correctness of the notional amount, as well as the procedures for computing the fee.

The payment shall be done within 30 business days since receipt of the invoice.

The Fund's Shareholders

Rights of the Fund's minority shareholders are adequately protected according to the relevant domestic legislation.

The Fund is committed to effectively and actively communicate with its shareholders and ensure that all shareholders have equal access to public information.

According to the provision of the Constitutive Act, each share issued by the Fund which is rightfully owned and paid up by a shareholder carries the following rights: (i) voting right at the shareholders' meetings, (ii) to elect and revoke the members of the Board of Nominees as well as to elect and revoke the Sole Administrator and (iii) right to participate in the distribution of profits.

During 2011, as far as the voting rights are concerned, notwithstanding the above general rules, the Constitutive Act provided specifically that the exercise of the voting rights attached to the shares was restricted, based on certain thresholds, in accordance with the following rules:

- (a) shares held by a Fund shareholder representing less than but including 1% of the Fund's paid up share capital, carried voting rights as follows: 1 (one) share represents 1 (one) voting right;
- (b) shares held by a Fund shareholder representing more than 1% and less than but including 3% of the Fund's paid up share capital, carried voting rights as follows:
 - 1 (one) share carried 1 (one) voting right for the part of the holding representing less than but including 1% of the Fund's paid up share capital, and
 - 2 (two) shares carried 1 (one) voting right for the part of the holding representing between 1% and 3% of the Fund's paid up share capital;
- (c) shares held by a Fund shareholder representing more than 3% and less than but including 5% of the Fund's paid up share capital, carried voting rights as follows:
 - 1 (one) share carried 1 (one) voting right for the part of the holding representing less than but including 1% of the Fund's paid up share capital,
 - 2 (two) shares carried 1 (one) voting right for the part of the holding representing between 1% and 3% of the Fund's paid up share capital, and
 - 3 (three) shares carried 1 (one) voting right for the part of the holding representing between 3% and 5% of the Fund's paid up share capital;
- (d) shares held by a Fund shareholder representing more than 5% of the Fund's paid up share capital, carried voting rights as follows:
 - 1 (one) share carried 1 (one) voting right for the part of the holding representing less than but including 1% of the Fund's paid up share capital, and
 - 2 (two) shares carried 1(one) voting right for the part of the holding representing between 1% and 3% of the Fund's paid up share capital;
 - 3 (three) shares carried 1 (one) voting right for the part of the holding representing between 3% and 5% of the Fund's paid up share capital, and
 - no voting rights shall be attached to the part of the holding exceeding 5%.

The above mentioned restrictions on the exercise of the voting rights attached to the shares did not apply to the holdings of the Ministry of Public Finance. However, the voting rights restriction was mandatory to be kept in the Constitutive Act as long the Romanian state's participation in the Fund's share capital exceeded 33% of the paid share capital. Beginning with May 2011, the Romanian state participation decreased under 33% and the Sole Administrator started the procedure for modifying the Constitutive Act.

On 23 November 2011 the Extraordinary General Shareholders Meeting approved the cancelation of the voting restrictions modifying the Constitutive Act of the Fund. The change of the Constitutive Act was effective beginning with 13 January 2012.

At present, the Constitutive Act does not specify any further special conditions on such rights than those specified by the law.

The Romanian legislation imposes another restriction regarding unpaid shares and as a result, as long as the Romanian state has unpaid shares, it has no voting rights for those unpaid shares and has no right to receive dividends in relation to them.

With respect to the right to receive dividends, the Constitutive Act set out that the Fund's net profit shall be distributed based on the decision of the general shareholders meeting, each shareholder being entitled to receive dividends proportionally to the number of paid shares held by it in the Fund's share capital. Pursuant to the Companies' Law, the payment of dividends shall be carried out no later than 6 months from the approval of the annual financial statements for the previous year, under penalty of default interest payment.

Other than as presented above, no rights, preference or restrictions are attached to the shares. Pursuant to the Companies' Law, as a rule, the shares issued by a company entitle each holder to equal rights. Such rights mainly refer to the shareholders' involvement in the operations of a company and the resulting benefits and are regulated by the applicable laws. Shareholders must exercise their rights in good faith, without breaching the interest of other shareholders or that of the company.

The Fund is committed to encouraging shareholders to participate in shareholders general meetings, as well as the full exercise of their rights and to raise questions concerning items to be debated during such meetings. General shareholders meetings enable and encourage dialogue between the shareholders and the Fund and its representatives. The Fund encourages its shareholders to take part in meetings, and those who cannot attend are able to vote in absentia by sending the votes to the headquarter of the Fund, using the voting bulletin for the votes by correspondence made available by the Fund at the headquarters and/or on the Fund's website.

Furthermore, the Fund ensures that its shareholders have access to relevant material information, so as to allow them to fully exercise their rights. The Fund has a dedicated section on its website (www.fondulproprietatea.ro) that can be easily identified and accessed. This information typically includes: the time and place of meetings; information on how to exercise voting rights including the proxy process with relevant forms; meeting agendas as well as detailed documents relating to specific agenda items.

The Fund Manager has established a dedicated investor relations team. This experienced team is responsible for handling relationships with both private and institutional investors locally and abroad.

In conclusion, in present the Fund observes the one paid share, one vote, and one dividend principle. There are no shares conferring the right to more than one vote or preference shares.

Shareholders holding at least 5% of the paid share capital may ask for calling of a General Shareholders Meeting. Such shareholders have also the right to add new items on the agenda of a General Shareholders Meeting, provided such proposals are accompanied by a justification or a draft resolution proposed for approval and copies of the identification documents of the shareholders who make the proposals.

Proposals with respect to adding new items on the agenda of such General Shareholders Meeting can be submitted at the headquarters of the Fund, or by e-mail having attached an extended electronic signature, in compliance with the Law no. 455/2001 on digital signature.

Likewise, the shareholders holding at least 5% of the paid share capital are entitled to propose, revised versions of resolutions for the items listed on the agenda or proposed by other shareholders to be added on the agenda of such General Shareholders Meeting.

The shareholders may attend in person or may be represented in the General Shareholders Meetings either by their legal representatives or by representatives having a special proxy, based on the special proxy template made available by the Fund. Such proxy template may be obtained from the Fund's headquarters and/or can be found on the Fund's website, under the respective General Shareholders Meeting section item.

The shareholders of the Fund, regardless of the stake of the share capital held, may submit written questions with respect to the items on the agenda of the General Meetings of Shareholders. The shareholders may also send such questions by e-mail. The answers will be provided during the General Shareholders Meeting based on public information or non-public and non-material information. Should the questions require elaborate answers, a Q&A (questions and answers) form will be made available on the Fund's website. The disclosure of commercially sensitive information that could result in a loss or competitive disadvantage for the Fund will be avoided when providing the answers, in order to protect the interest of our shareholders.

Women's Advancement

The Fund and the Sole Administrator supports gender diversity and promotion of women in management positions.

While there are currently no female members of the Board of Nominees, the Sole Administrator has women in its management.

Likewise, more than 50% of the first line directors of the Sole Administrator are women. The proportion of women in the structure of the Sole Administrator as a whole is about 63%.

Bucharest Stock Exchange Code of Corporate Governance

The Fund adheres to the Bucharest Stock Exchange Code of Corporate Governance. The details about the compliance with the principles and recommendations stipulated under the Bucharest Stock Exchange Code of Corporate Governance are presented in the "Comply or Explain" Statement, which is the Annex 8 to the 2011 Annual Report.

Internal Control and Risk Management

The Sole Administrator has issued internal regulations to ensure that timely and accurate disclosure is made on all material matters regarding the Fund, including the financial position, performance, ownership and governance of the Fund. In addition, strict internal rules, designed to protect the Fund's interests, have been established in the areas of financial reporting, internal control and risk management.

According to article 62 of the Law 297/2004 regarding capital market, with subsequent amendments, the Sole Administrator has established a compliance department specialized in the control of compliance by the firm and by its staff with the legislation in force regarding the capital market as well as with internal regulations. The registered Compliance Officer is part of the Franklin Templeton International Compliance Department and reports directly to the Compliance Manager – Advisory EMEA.

The compliance department is responsible for providing regulatory guidance, advice and compliance training to operational departments, assisting them in managing the reputational risk in relation to legal or regulatory requirements and codes of conduct and performing 2nd level compliance controls. It covers the areas of conduct of business rules, personal conduct and anti-money laundering/financial crime.

The Sole Administrator has implemented a Risk Management Policy. The purpose of this policy is to establish an effective risk framework which meets regulatory requirements, and thereby enhances the Administrator's governance structure throughout the business.

The European Risk Committee is responsible for the oversight of all risk management processes, including those relating to Anti Money Laundering (AML), and is made up of senior management from the business areas and key risk and control functions. Meeting quarterly, it reviews risk reports and input from business management and maintains a detailed register of risk items and resolutions.

The FTIML Board of Directors provides oversight by being aware of risk management practices and their deployment within the firm, staying apprised of significant risks and management responses. The Board of Directors of FTIML has assigned this responsibility to the Audit Committee of FTIML.

In addition, the Sole Administrator oversees the risk based on its Compliance Monitoring Policy. The risk assessment is a critical element of Compliance's oversight and monitoring program. The compliance monitoring programme is updated annually with findings reported to Senior Management on a monthly basis. At a minimum, high risk areas are monitored annually; medium risk areas are monitored on an 18 month cycle and low risk items on a 3 year cycle. The compliance monitoring programs will be updated to reflect the results of the final risk assessment for each fiscal year.

In respect of the portfolio monitoring activity, the Sole Administrator has procedures and controls which are designed to ensure that all assets are managed prudently and in accordance with client mandates. In addition the Administrator has a dedicated team of specialists who are responsible for the rigorous day-to-day monitoring of all client accounts against the agreed investment guidelines and constraints.

The front office trade management system has embedded compliance functionality which enables investment restrictions, regulatory and internal requirements to be included within the system. All trade orders (with the exception of foreign exchange trades and certain debt and derivative security trades) are automatically checked against the relevant investment restrictions in our system prior to trading. Exceptions are investigated and cleared by Global Investment Advisor Compliance ("GIAC") before the trade can proceed.

Post trade compliance checks are automatically run overnight for all portfolios against the investment restrictions included within our trade management system. Any exceptions are investigated and cleared by GIAC. Investment restrictions that cannot be automated are reviewed periodically. All active and passive breaches are reported to the relevant investment managers and operating departments. Corrective action is taken as necessary to address and resolve any issues. Trading errors are monitored by the Global Compliance department.

The Global Compliance department produces monthly reports which provide details on significant compliance matters and initiatives, updates on monitoring activities, and current complaints and breaches. These reports are circulated to the relevant senior management.

Conflicts of Interests and Related Parties Transactions

The Sole Administrator/Fund Manager adopted operating solutions suitable to facilitate the identification and adequate handling of any situations in which a member of the Board of Nominees or the Sole Administrator/Fund Manager has an actual or potential conflict of interest between the interest of the Fund and his/her own or on behalf of third parties. The Fund Manager will adopt operating solutions suitable for the adequate handling of any situations arising from related parties transactions.

Treatment of Corporate Information

The members of the Board of Nominees and the Sole Administrator/Fund Manager shall keep confidential any documents and information acquired in the performance of their duties.

Financial Statements Analysis

The audited financial statements for the year ended 31 December 2011 prepared in compliance with Romanian Accounting Regulations are included in full in Annex 1 to this Report.

This section provides a commentary on the principal elements of the Fund's financial position and results for the period of three years ended 31 December 2011.

Balance Sheet

	31 December 2009	31 December 2010	31 December 2011
	Audited	Audited	Audited
	RON million	RON million	RON million
Tangible and intangible assets	0.5	-	-
Financial assets	9,552.1	10,890.5	10,627.9
Non-current assets - total	9,552.6	10,890.5	10,627.9
Current assets - total	2,666.8	1,332.4	549.2
Prepaid expenses	0.1	-	-
Payables within one year	7.4	69.3	42.2
Total assets less current liabilities	12,212.1	12,153.6	11,134.9
Provisions	15.1	14.4	14.2
Shareholders' equity	12,197.0	12,139.2	11,120.7

The value of **tangible and intangible assets** was nil by the end of 2010 and 2011 as the Fund disposed of most of these assets (either by sale or write off) due to its administration being taken over by the Fund Manager in 2010. The new administrator is responsible for providing its own premises and equipment, and the residual assets of the Fund were no longer required following relocation to new premises.

Financial assets include the Fund's listed and unlisted equity investments. According to Romanian Accounting Regulations, both listed and unlisted equity investments are valued at cost (or their initial value) less any adjustments for impairment. For listed investments, the impairment adjustment is any adverse difference between cost and closing price (an impairment adjustment is booked if closing price is lower than cost). For unlisted or illiquid listed equity investments, the impairment test compares the cost to the Fund's share of shareholders' equity as per the portfolio companies' latest available financial statements, and any adverse result is booked as an impairment.

The value of the financial assets increased by RON 1,338.4 million in 2010 compared to 2009 mainly generated by the reversal of impairment adjustments for equity investments recorded in previous years, principally for OMV Petrom and Hidroelectrica.

As at 31 December 2011, the value of financial assets decreased by RON 262.6 million as compared to the end of previous year. The decrease was mainly due to impairment adjustments recorded during the year for listed equity investments (principally for OMV Petrom) and for Nuclearelectrica holding (adjusted to take account of Nuclearelectrica's shareholders' equity contributions from the Romanian State in previous years, granted for the acquisition of heavy water, with the intent to increase the share capital of the company by those amounts, in favour of Romanian State). The decreased of financial assets was partially offset by the acquisitions of listed equity investments in Romania and Austria.

The significant fall in the value of **current assets** since 2010 was mainly accounted for by the gross RON 1,124.3 million dividend payments to shareholders which commenced in October 2010. The amount of current assets at the year end 31 December 2009 was higher compared with 2010 and 2011, especially due to the receipt of proceeds on disposal of financial assets and also because no dividends were paid out during that year.

As at 31 December 2011, the drop in current assets of RON 783.2 million, compared with 31 December 2010, was mainly related to the decrease of cash balances due to the acquisition of listed equity investments, the funding of buy-backs, and the payment of the 2010 dividend and related taxes. Current assets were positively influenced however by dividends distributed by portfolio companies during 2011.

The significant increase in **payables** as at 31 December 2010 as compared to 2009, was generated by the dividend payable to Fund's shareholders uncollected until year end, and also by the new liabilities arising in the Fund for the first time in 2010, following its registration with CNVM in August and the commencement of the Fund Manager's contract in September. In 2010, this caption also included tax liabilities, and RON 9.7 million of liabilities relating to contributions received from the significant shareholder of the Fund, the Ministry of Public Finance, which have not yet been converted into share capital as at that date.

Payables decreased during 2011 mainly accounted for by the payment of the 2010 dividend and related taxes.

Income Statement

	2009 Audited RON million	2010 Audited RON million	2011 Audited RON million
Revenues from current activity, out of which:	1,320.4	576.6	617.9
Revenues from financial assets	118.2	179.0	519.1
Interest income	142.5	131.5	41.1
Reversal of impairment adjustments & provisions	31.6	217.4	30.5
Revenues from disposal of financial assets	980.2	-	13.4
Revenues from foreign exchange differences	47.7	47.7	1.6
Other income from current activity	0.2	1.0	12.2
Expenses from current activity, out of which:	486.2	109.2	72.3
Expenses from disposal of financial assets	428.7	-	4.6
Expenses from foreign exchange differences	33.0	56.9	0.9
Depreciation, provisions, losses from receivables and sundry debtors	0.7	0.2	11.7
Commissions and fees	0.3	6.0	17.2
Other expenses from current activity*	23.5	46.1	37.9
Gross profit	834.2	467.4	545.6
Income tax expense	104.1	11.2	1.8
Net profit	730.1	456.2	543.8

* Other expenses from current activity include bank charges, material and utilities expenses, salary costs, third party expenses as well as duties and other taxes.

Revenues from financial assets represent dividend income earned from the Fund's portfolio companies. The income significantly increased in 2011 compared to 2010 (by RON 340.1 million), due to the higher level of dividend distributions from portfolio companies, mainly: OMV Petrom RON 201.6 million; Romgaz RON 106 million; Hidroelectrica RON 52.5 million; and Transgaz RON 50.8 million.

Interest income arises from deposits held with banks and from treasury bills. The significantly lower level of income during the year 2011 compared to the years 2010 and 2009 is a reflection of the lower level of interest yielding assets held during 2011, due to the payment of dividends (for 2008 and 2009, starting in October 2010 and for 2010, starting in June 2011), and the acquisition of equity investments.

The large **reversal of impairment adjustments & provisions** in 2010 is mostly accounted for by the 2010 reversal of an impairment adjustment for RON 216.6 million in respect of equity investment in Hidroelectrica, which was originally booked in 2006 and 2007 through Income Statement.

In 2011 the reversal of impairment adjustments & provisions was mostly accounted for by the reversal of impairment adjustments for the 2005 dividend receivables from Transgaz, of RON 9.6 million and Romgaz, of RON 18.7 million. The litigations against Transgaz and Romgaz for the recovery of these dividends and the related penalties for late payment were irrevocably ruled in the Fund's favour in 2011.

Revenues from disposal of financial assets (RON 980.2 million in 2009 and RON 13.4 million in 2011) represent the proceeds from the sales of portfolio company holdings, while the expenses from disposal of financial assets (RON 428.7 million in 2009 and RON 4.6 million in 2011) represent the cost or carrying value of these investments prior to disposal. The pre-tax net gain in 2009 was RON 551.5 million and in 2011 was RON 8.8 million, while there were no such sales in 2010.

Other income from current activity increased significantly in 2011, including principally penalties levied by the Fund for late payment of dividends and litigation expenses recovered. These mainly related to the 2005 Transgaz dividend receivable of RON 4.2 million and to the 2005 Romgaz dividend receivable of RON 5.8 million.

From 2010, **commissions and fees** mainly included CNVM's 0.1% per annum fee, calculated on the basis of Fund's NAV, amounting to RON 15.6 million in 2011 (2010: RON 5.4 million), and the depositary banks' fees of RON 1.6 million (2010: 0.6 million).

In 2011, the expenses for **depreciation, provisions, losses from receivables and sundry debtors** were related to S.C. Electromecanica Ploiesti SA, because the Ministry of Public Finance did not transfer to the Fund the holding in this company. This expense category included the impairment loss adjustment in respect of the receivable related to the equity contribution of the Ministry of Public Finance. This receivable is the difference between the amount due from the Ministry following the cancellation of the contribution corresponding to the holding in Electromecanica Ploiesti (after the decision of the High Court of Cassation and Justice, which irrevocably rejected in May 2011 the request of the Fund to be registered as a shareholder of this company), amounting to RON 21.4 million, and the cash and equity received from Ministry of Public Finance, not converted into share capital, amounting to RON 9.7 million. The Fund recorded an impairment loss adjustment for the whole amount due by the Ministry of Public Finance in respect of equity contribution. In the fourth quarter of 2011, the Fund received a further contribution towards the above mentioned receivable via the nominal value of the 170,456 shares in Hidroelectrica SA received by the Fund free of charge, according to GEO 81/2007, which amounted to RON 1.7 million. The RON 1.7 million reversal of the impairment adjustment has been recorded in **reversal of impairment adjustments & provisions**.

Other expenses from current activity can be analysed as follows:

	2009	2010	2011
	Audited	Audited	Audited
	RON million	RON million	RON million
FTIML investment management and administration fees	-	18.3	32.1
Salaries and similar expenses	13.5	4.1	0.8
Stamp duties for litigations	0.8	5.3	0.1
Success fee due to Fund's advisor & related VAT	-	9.1	-
VAT for intra-EU services from previous years and related penalties for late payment	-	1.7	-
Other expenses	9.2	7.6	4.9
Other expenses from current activity	23.5	46.1	37.9

During the year 2011, these expenses decreased overall by RON 8.2 million compared to the previous year. This is mainly related to the recording in July 2010 of the success fee payable to the Fund's advisor for the selection of the fund manager (amounting to RON 7.4 million) and related irrecoverable VAT (amounting to RON 1.8 million) and to higher stamp duties for litigations and salaries and similar expenses recorded in 2010. However, FTIML's investment management and administration fees were higher in 2011 as compared to previous year, as their appointment only commenced in September 2010.

The change in the nature of the other expenses in this category is largely attributable to the different administration structures in place before and after September 2010. Prior to this date, the Fund was self-administered and had its own employees and infrastructure (explaining the significant higher level of salaries and similar expense and of other expenses in 2009, compared to the following years). Following the appointment of FTIML as sole administrator, the Fund no longer incurred these types of expenses, and instead incurred an administration fee.

The Fund Manager's investment management and administration agreement became effective on 29 September 2010. Until the listing of the Fund on 25 January 2011, the management fee of 0.379% and the administration fee of 0.1% per annum were based on the Fund's NAV, while afterwards the basis changed to the market capitalization of the Fund.

The higher charge in 2010 for stamp duties was related to actual litigation activity, principally the litigation with the Romanian State concerning the privatisation of BCR.

Other expenses included mainly audit and advisory fees (tax, legal, other) and, in 2011, investor relations expenses.

Income tax expense during the year ended at 31 December 2011 was significantly lower than during the years 2010 and 2009. It is important to note that the revenues from financial assets (dividend income) are recorded net of any tax withheld at source (if applicable). Consequently these revenues are considered non-taxable in the computation of income tax expense.

Analysis of 2011 Income Statement by Quarters

Although this report is required to cover the year ended 31 December 2011, given that the Fund reports on a quarterly basis, the following split has been prepared to illustrate also the actual quarterly results in 2011.

	Quarter 1 2011	Quarter 2 2011	Quarter 3 2011	Quarter 4 2011	Year ended 31 December 2011
	RON million	RON million	RON million	RON million	Audited RON million
Revenues from current activity, out of which:	33.3	560.3	2.3	22.0	617.9
Revenues from financial assets	-	513.2	(3.7)	9.6	519.1
Interest income	17.3	11.8	5.4	6.6	41.1
Reversal of impairment adjustments & provisions	9.8	19.0	-	1.7	30.5
Revenues from disposal of financial assets	0.1	9.6	0.2	3.5	13.4
Revenues from foreign exchange differences	1.1	0.3	0.1	0.1	1.6
Other income from current activity	5.0	6.4	0.3	0.5	12.2
Expenses from current activity, out of which:	18.5	29.9	11.0	12.9	72.3
Expenses from disposal of financial assets	-	3.9	0.2	0.5	4.6
Expenses from foreign exchange differences	0.3	0.3	0.3	-	0.9
Depreciation, provisions, losses from receivables and	-	11.7	-	-	11.7
Commissions and fees	4.4	4.6	4.4	3.8	17.2
Other expenses from current activity *	13.8	9.4	6.1	8.6	37.9
Gross profit / (Loss)	14.8	530.4	(8.7)	9.1	545.6
Income tax expense	0.7	1.3	(0.8)	0.6	1.8
Net profit / (Loss)	14.1	529.1	(7.9)	8.5	543.8

*Other expenses from current activity include bank charges, material and utilities expenses, salary costs, third party expenses as well as duties and other taxes.

Statement of Cash Flows

	2009 Audited RON million	2010 Audited RON million	2011 Audited RON million
Cash flows from operating activities			
Payments to suppliers and similar payments	(11.1)	(8.1)	(36.6)
Payments to employees and similar payments	(11.5)	(6.3)	(0.9)
Payments of other taxes and commissions	-	(12.9)	(15.8)
Other receipts, net of other payments	0.2	0.1	0.1
Income tax paid	(105.0)	(15.4)	(1.1)
Net cash used in operating activities	(127.4)	(42.6)	(54.3)
Cash flow from investments			
Dividends received	118.6	175.0	497.4
Interests received	139.6	141.2	46.0
Proceeds from the sales of tangible assets	-	0.1	-
Payments for acquisitions of financial assets	-	(47.3)	(769.8)
Proceeds from the sales of financial assets	980.2	-	13.4
Other receipts related to financial assets	-	-	12.5
Net proceeds from / (payments for) treasury bonds	390.5	(246.3)	52.8
Net collection / (payments for) deposits with maturity of more than 3 months	(1,308.6)	930.2	378.5
Net cash from investment activities	320.3	952.9	230.8
Cash flow from financing activities			
Receipts from shareholders for share capital increase	63.9	43.0	-
Dividends paid, including related withholding tax	(1.1)	(1,093.3)	(452.0)
Payments for buybacks	-	-	(120.3)
Net cash flow from / (used in) financing activities	62.8	(1,050.3)	(572.3)
Net increase / (decrease) in cash and cash equivalents	255.7	(140.0)	(395.8)
Cash and cash equivalents at the beginning of the year	572.2	842.6	693.5
Foreign exchange differences on cash and cash equivalents	14.7	(9.1)	(0.3)
Cash and cash equivalents at the end of the year	842.6	693.5	297.4

The **payments of other taxes and commissions** recorded in 2010 and 2011 mainly refer to the commission fees paid to CNVM (of RON 15.6 million in 2011 and RON 3.6 million in 2010) following the Fund's registration in August 2010. In 2010, these also included the stamp duties paid in relation with the litigation concerning the privatisation of BCR (RON 5.1 million).

Dividends received were significantly higher in 2011 as compared to the previous years, mainly because the portfolio companies distributed relatively higher dividends in 2011 and the Fund collected the main part of these dividends during the year.

The **acquisitions of financial assets** in 2010 and 2011 were related entirely to the purchases of listed equity investments in Romania and Austria.

The **proceeds from the sales of financial assets** in 2009 were generated mainly by the disposal of the 30% holdings in CEZ Distributie, in amount of RON 965.3 million. In 2011, the main part of the proceeds was related to the disposal of the holdings in Laromet SA (RON 6.3 million), Zamur SA (RON 3.2 million) and part of the holdings in Oil Terminal SA (RON 3.3 million).

Dividends paid in 2011 principally included the 2010 dividend whose distribution started on 30 June. 99% of the total distribution of RON 432.7 million was paid until 31 December 2011. Fund declared in April 2011 and began to distribute starting 30 June a gross dividend of RON 432.7 million or RON 0.03141 per share. This dividend represented the distributable 2010 profits.

In 2010 the Fund declared and began to distribute from October a gross dividend of RON 1,124.3 million or RON 0.0816 per share. This dividend represented the distributable profits of both 2008 and 2009. Shareholders also continued to collect dividends declared in 2007 and 2008 during 2010. By the end of 2010, shareholders had collected over 98% of total dividends distributed by the Fund. No dividends were declared in 2009.

Related Party Transactions

The transactions with the related parties have been performed in the normal course of business of the Fund.

The Romanian State represented by the Ministry of Public Finance controlled the Fund during 2010, but during 2011 its holding fell below the control threshold.

(a) Subsidiaries

The Fund has the following subsidiaries, all incorporated in Romania:

Ownership interest	2010	2011
Alcom SA Timisoara	71.89%	71.89%
Carom – Broker de Asigurare SA Bucuresti	70.00%	70.00%
Comsig SA Sighisoara	69.94%	69.94%
Delfincom SA Bucuresti	65.50%	65.50%
Prestari Servicii SA Bucuresti	70.55%	70.55%
Primcom SA Bucuresti	78.97%	78.97%
Romplumb SA Baia Mare	51.00%	51.00%
Telerom Proiect SA Bucuresti	68.63%	68.63%
Zirom SA Giurgiu	100.00%	100.00%

Dividend income

Company	2010	2011
Primcom SA Bucuresti	1.7	14.3
Delfincom SA Bucuresti	-	5.6
TOTAL	1.7	19.9

Dividends collected

Company	2010	2011
Primcom SA Bucuresti	1.7	14.3
Delfincom SA Bucuresti	-	5.6
Carom – Broker de Asigurare SA Bucuresti	-	0.2
TOTAL	1.7	20.1

Other income

Company	2010	2011
Carom – Broker de Asigurare SA Bucuresti	-	0.1
TOTAL	-	0.1

(b) Associates

Ownership interest	2010	2011
OMV Petrom SA	20.1%	20.1%

In 2011 the Fund recorded and received from OMV Petrom SA a dividend of RON 201.6 million.

(c) Fund Manager

During 2011, the Fund recorded the following expenses payable to Franklin Templeton Investment Management UK, Bucharest Branch (the Fund Manager of Fondul Proprietatea): investment management and administration fees RON 32.1 million (2010: RON 18.3 million), rent expenses RON 98.6 thousand (2010: RON 24.0 thousand) and related operating costs RON 25.4 thousand (2010: RON 5.0 thousand). During 2011 the Fund Manager also issued invoices for RON 1.1 million to the Fund for expenses incurred by the Fund Manager on Fund's behalf. These expenses were primarily related to investor relations activities. The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominees approval.

As at 31 December 2011 the liability to the Fund Manager relating to the above mentioned transactions amounted to RON 27.4 million (31 December 2010: 18.0 million).

Significant Post Balance Sheet Events

Voting rights restriction cancellation

On 23 November 2011 the Extraordinary General Shareholders Meeting approved a number of amendments to the Constitutive Act, one of the most important being the cancellation of the restriction of voting rights. The new Constitutive Act with the restriction rights cancelled was approved by CNVM on 12 January 2012.

Since 13 January 2012, when the new Constitutive Act became effective, the restrictions of the voting rights related to the number of shares owned by the Fund's shareholders were eliminated and the principle of one paid share is equal to one voting right is now applied.

As at 29 February 2012, the largest shareholders holding more than 5% of the paid share capital were the following, according to the information provided by Central Depository:

Shareholder's name	Number of shares	% of subscribed share capital	% of the paid share capital	Voting rights	% of voting rights
Manchester Securities Corp.*	1,612,891,498	11.71%	12.03%	1,612,891,498	12.25%
Palade van Dusen Georgia	753,934,096	5.47%	5.62%	753,934,096	5.72%

Source: Central Depository

*managed by Elliott Associates L.P.

According to the ownership disclosures submitted by the shareholders in January 2012 (following the approval of the new Constitutive Act of the Fund whereby the restrictions of the voting rights were eliminated), the largest shareholders holding more than 5% of the paid share capital were the following:

Shareholder's name	Date of disclosure	Number of shares	% of subscribed share capital	% of the paid share capital	Voting rights	% of voting rights
Manchester Securities Corp. ²³	31-Jan-12	1,612,891,498	11.71%	12.03%	1,612,891,498	12.24%
Beresford Energy Corporation ²⁴	18-Jan-12	251,700,500	1.83%	1.88%	251,700,500	1.88%
City of London ²⁵	19-Jan-12	966,684,299	7.02%	7.21%	966,684,299	7.21%
Palade van Dusen Georgia	23-Jan-12	876,465,112	6.36%	6.54%	876,465,112	6.54%

Source: Reports submitted by shareholders

A new permanent legal representative of the Fund

On 23 November 2011 the Extraordinary General Shareholders Meeting approved Oana Valentina Truța as the third permanent legal representative of the Fund. The other two permanent legal representatives are Grzegorz Maciej Konieczny and Adrian Cighi, appointed by shareholders on September 2010.

The appointment is effective beginning with 19 January 2012, the date of the registration with the Trade Register.

The addendum to the Investment Management Agreement

On 23 November 2011 the Ordinary General Shareholders Meeting approved the Addendum to the Investment Management Agreement. The change refers to the payment of Fund Manager's fees on a quarterly basis, starting 1 January 2012 (previously the fees were paid annually). The calculation of the fees are based on the number shares in issue multiplied by the average market price of the Fund's shares calculated for the respective quarter.

²³ After the notification sent by Manchester Securities Corporation on 18 January 2012 (when the number of shares held was 1,479,991,498), they also informed Fondul Proprietatea on 31 January 2012 of a new transaction, namely the acquisition of 132,900,000 shares issued by Fondul Proprietatea

²⁴ According to the representatives of Manchester Securities Corporation and Beresford Energy Corporation, for reporting purposes, by virtue of acting in concert, the aggregated holdings of Manchester and Beresford in the total voting rights in Fondul Proprietatea was 12.92% (according to the notification sent on 18 January 2012)

²⁵ According to the ownership disclosure sent by City of London in January 2012, out of 966,684,299 shares held in the Fund, 728,857,400 are shares and 237,826,899 are warrants. According to the company's representatives, after the conversion of the warrants, the total number of shares held in the Fund would be 966,684,299

The change of the paid-up capital of the Fund

Since 2 February 2012, the paid-up capital of the Fund increased by RON 4,985,760 to RON 13,412,554,856, while its subscribed capital remained unchanged at RON 13,778,392,208. The increase in the paid-up capital reflects a reduction in the unpaid share capital held by the Romanian state due to the receipt by the Fund of 498,576 shares in Hidroelectrica following a share increase by that company relating to the value of land for which Hidroelectrica obtained title deeds.

Update regarding the Chairman of the Board of Nominees

On 9 February 2012 Mr. Bogdan Alexandru Drăgoi, the Chairman of the Board of Nominees, has resigned from his position as member of Fondul Proprietatea's Board of Nominees as a result of his appointment as a member of the Romanian Government, as the Minister of Public Finance.

Since 13 February 2012 the new Chairman of the Board of Nominees is Mr. Sorin Mihai Mîndruţescu.

Requests for calling the General Shareholders' Meeting of the Fund

On 8 February 2012, the Fund received a request from Georgia Palade van Dusen, Philipe Palade, Grantelast Limited and POAH One Acquisition Holdings IV Limited, as shareholders of the Fund owning together more than 5%, to call a General Shareholders Meeting of the Fund, with the following points on the agenda:

- The approval in principle of the secondary listing of the Fund on the Warsaw Stock Exchange;
- The approval of an instruction to the Fund Manager, to present a specific plan to shareholders no later than 31 May 2012 setting forth all formalities necessary for listing on the Warsaw Stock Exchange, and to schedule a shareholders meeting to vote on all such necessary matters not later than 30 June 2012;
- The recalling of all members of the Board of Nominees;
- The appointment of members of the Board of Nominees.

Pursuant to the provisions of Article 119 paragraphs (1) and (2) of Law no. 31/1990 on trade companies, republished, with subsequent amendments, the Fund Manager has the obligation to call the general shareholders meeting no later than 30 days after receiving the request and to hold the GSM no later than 60 days of its receipt.

Given the aforementioned, the Fund Manager will perform the procedures for convening the Fund's General Shareholders Meeting in respect of the legal provisions in force.

On 15 February 2012 a formal request for convening a GSM was received from Manchester Securities Corporation, a shareholder owning more than 5% of the Fund. The GSM should have on the agenda an amendment of the Investment Management Agreement ("IMA") concluded between FTIML and Fondul Proprietatea establishing a revised administration and management fee. The proposed addendum to the IMA has been attached to the request.

According to the proposed addendum, in case of excess distributions (special dividends, buybacks for the purpose of cancellation of shares or other distributions), FTIML would be entitled to receive an additional fee of 1.5% of the excess distribution (if distributions take place in 2012 and 2013) and 1% (after 2013, until the termination of the IMA).

Calling the General Shareholders' Meeting of the Fund on 4 April 2012

The Fund Manager called for a GSM on 4 April 2012, with the following main points on the agenda:

- the approval in principle of the secondary listing of the Fund on the Warsaw Stock Exchange ("WSE");
- the approval of an instruction to FTIML to present a specific plan to shareholders by not later than 31 May 2012 setting forth all formalities necessary for listing on WSE, and to schedule a shareholders meeting to vote on all such necessary matters not later than 30 June 2012;
- the decrease of the share capital of the Fund with the 240,304,801 own shares acquired following the buyback programme;
- the change of the Constitutive Act;
- the recalling of BoN members;
- the appointment of BoN members;
- the approval of the Addendum 2 of the IMA concluded between FTIML and the Fund establishing a revised fee;
- the approval of an addendum to the 2012 Budget of the Fund.

Signatures:

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch acting in the capacity of Sole Administrator of S.C. Fondul Proprietatea S.A.

Grzegorz Maciej Konieczny

Legal Representative

14 March 2012

Prepared by

Mihaela Moleavin

Financial Reporting Manager

Annex 1

S.C. FONDUL PROPRIETATEA S.A.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

prepared in accordance with the National Securities Commission (“CNVM”) Regulation no. 4/2011 regarding accounting regulations compliant with EEC Directive IV, applicable to the entities authorised, regulated and monitored by the CNVM, approved by CNVM Order no. 13/2011 and with CNVM Instruction no. 2/2012 regarding the preparation and submission of annual financial statements, applicable to the entities authorised, regulated and monitored by the CNVM (“Romanian Accounting Regulations”)

(This is a translation from the official Romanian version)

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To the Board of Nominee and Shareholders of
S.C. Fondul Proprietatea S.A.

INDEPENDENT AUDITOR'S REPORT

Report on the separate financial statements

- 1 We have audited the accompanying separate financial statements of S.C. Fondul Proprietatea S.A. ("the Fund"), which comprise the balance sheet as at 31 December 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, presenting the following:

- Total Shareholder's equity: RON 11,120,701 thousand
- Profit/loss for the year: RON 543,825 thousand, profit

Management's responsibility for the separate financial statements

- 2 Management of the Fund is responsible for the preparation and fair presentation of these separate financial statements in accordance with the Accounting Law no. 82/1991, as revised, and with the Order of the President of the National Securities Commission ("CNVM") no.13/2011 for the approval of Regulation no. 4/2011 regarding accounting regulations compliant with Economic European Commission Directive IV ("EEC Directive IV"), applicable to the entities authorized, regulated and monitored by the CNVM, with the subsequent amendments and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

- 3 Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards issued by the Romanian Chamber of Financial Auditors and the International Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free from material misstatement.

- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

- 6 In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of S.C. Fondul Proprietatea S.A. as of December 31, 2011, and its financial performance and its cash flows for the year then ended, in accordance with the requirements of the Romanian Accounting Standards, which comprise Accounting Law no. 82/1991, as revised, and Order of the CNVM President no. 13/2011 for the approval of the Regulation no. 4/2011, with the subsequent amendments and as described in the accounting policies presented in the notes to the separate financial statements.

Emphasis of matter

- 7 Without qualifying our opinion, we draw attention to Note 6 (a) to the separate financial statements which states that consolidated financial statements of the Fund prepared in accordance with International Financial Reporting Standards, as adopted by EU have not yet been published. Note 6 (a) to the separate financial statements explain when consolidated financial statements will be published and the method of accounting and other disclosures related to unconsolidated subsidiaries respectively.
- 8 Without qualifying our opinion, we draw attention to the fact that during 2011 a number of major economies around the world have experienced strong volatility in the capital markets and severe restrictions in the credit markets. As a consequence of the recent market turmoil in capital and credit markets both globally and in Romania, notwithstanding any potential economic stabilization measures that may be put into place by the State, economic uncertainties arose surrounding the continual availability and cost of credit for the Fund's counterparties, future development of the markets and demand for goods and services they produce. The potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets of the Fund may be not recovered at their carrying amount in the ordinary course of business, and a corresponding impact on the Fund's profitability cannot be estimated reliably as of the date of this report. As of December 31, 2011 the Fund has determined the impairment of financial assets for the unquoted companies based on participations held in the equity of these companies, shown in the latest available financial statements, which in most cases date back to 30 June 2011, the value of this impairment may differ had the financial statements as at 31 December 2011 been readily available.

Other Matters

- 9 This report is made solely to the Fund's shareholders, as a body. Our audit work has been undertaken so that we might state to the Fund's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.
- 10 The accompanying separate financial statements are not intended to present the financial position, results of operations and a complete set of notes to the separate financial statements of the Fund in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Romania. Accordingly, the accompanying separate financial statements are not designed for those who are not informed about Romanian legal and statutory requirements.

Report on conformity of the Administrators' Report with the Separate Financial Statements

In accordance with the Order of the CNVM President no. 13/2011 for the approval of the Regulation no. 4/2011, with the subsequent amendments, Section 7, article 278, point 4, we have read the Administrators' Report. The said report is not part of the separate financial statements. In the Administrators' Report we have not identified any historic financial information which is not in accordance, in all material respects, with the information presented in the accompanying separate financial statements.

Ahmed Hassan, Audit Partner

For signature please refer to the original Romanian version.

*Registered with the Chamber of Financial Auditors in Romania
Under the certificate no. 1529/25.11.2003*

On behalf of:

DELOITTE AUDIT S.R.L.

*Registered with the Chamber of Financial Auditors in Romania
under the certificate no. 25/25.06.2001*

Bucharest, Romania
February 10, 2012

S.C. FONDUL PROPRIETATEA S.A.
BALANCE SHEET
AS OF 31 DECEMBER 2011
FORM CODE 10

(all amounts are expressed in RON, unless otherwise specified)

The format of the Financial Statements as at 31 December 2011 for the entities authorised, regulated and monitored by the National Securities Commission (CNVM), for the closed-end funds (AOPC) set up under articles of association

Type of financial statement: SI

County: Bucharest

Legal entity: S.C. Fondul Proprietatea S.A.

Address: Bucharest, District 1,
78-80, Buzeşti Street, 7th Floor

Telephone: 021/200 96 00, Fax: 021/200 96 31

Trade Register no.: J40/21901/2005

Ownership type: 22

Main activity:

(CAEN group): 643

CAEN class: 6430

Sole Registration Code: 18253260

A	Row	Note	Balance	
			1 January 2011	31 December 2011
	B		1	2
A. NON-CURRENT ASSETS				
III. FINANCIAL ASSETS				
1. Shares held in subsidiaries (acc. 261 - 2961)	12		70,077,549	59,670,661
3. Investments in associates (acc. 263 - 2963)	14		3,816,028,612	3,303,427,753
5. Other investments held as financial assets (acc. 262 + 264 + 265 + 266 - 2696 - 2962 - 2964)	16		7,004,416,770	7,264,779,666
TOTAL: (rows 12 to 17)	18	1	10,890,522,931	10,627,878,080
NON-CURRENT ASSETS - TOTAL (rows 06 + 11 + 18)	19		10,890,522,931	10,627,878,080
B. CURRENT ASSETS				
II. RECEIVABLES				
1. Trade receivables (acc. 2675 + 2676 + 2678 + 2679 - 2966 - 2969 + 4092 + 411 + 413 + 418 - 491)	24		85,547	1,476
4. Other receivables (acc. 425 + 4282 + 431 + 437 + 4382 + 441 + 4424 + 4428 + 444 + 445 + 446 + 447 + 4482 + 4582 + 461 + 473 - 496 + 5187)	27		12,352,520	55,884,511
TOTAL: (rows 24 to 28)	29	5	12,438,067	55,885,987
III. SHORT TERM INVESTMENTS				
2. Other short term investments (acc. 5031 + 5032 + 505 + 5061 + 5062 + 5071 + 5072 + 5081 + 5082 + 5088 + 5089 - 593 - 595 - 596 - 597 - 598 + 5113 + 5114)	31		248,021,476	195,919,673
TOTAL: (rows 30 to 31)	32	13	248,021,476	195,919,673
IV. CASH AND BANK ACCOUNTS (acc. 5112 + 5121 + 5122 + 5123 + 5124 + 5125 + 5311 + 5314 + 5321 + 5322 + 5323 + 5328 + 5411 + 5412 + 542)	33	12	1,071,973,391	297,393,152
CURRENT ASSETS - TOTAL (rows 23 + 29 + 32 + 33)	34		1,332,432,934	549,198,812
C. PREPAID EXPENSES (acc. 471)	35		31,004	28,412

The accompanying notes are an integral part of these financial statements.
This is a translation from the official Romanian version.

	Row	Note	Balance	
			1 January 2011	31 December 2011
A	B		1	2
D. PAYABLES WITHIN ONE YEAR				
3. Advance from customers (acc. 419)	38		-	50,000
4. Trade payables (acc. 401 + 404 + 408)	39		25,529,058	27,540,485
7. Payables related to financial assets (acc 1662 + 1686 + 2692 + 2693 + 4521 + 4528)	42		-	-
8. Other payables, including tax and social security payables (acc. 1623 + 1626 + 167 + 1687 + 2698 + 421 + 423 + 424 + 426 + 427 + 4281 + 431 + 437 + 4381 + 441 + 4423 + 4428 + 444 + 446 + 447 + 4481 + 4551 + 4558 + 456 + 457 + 4581 + 462 + 473 + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	43		43,758,337	14,616,288
TOTAL: (rows 36 to 43)	44	5	69,287,395	42,206,773
E. NET CURRENT ASSETS OR NET CURRENT LIABILITIES (rows 34 + 35 - 44 - 60.2)				
	45		1,263,176,543	507,020,451
F. TOTAL ASSETS LESS CURRENT LIABILITIES (rows 19 + 45)				
	46		12,153,699,474	11,134,898,531
H. PROVISIONS				
2. Provisions for taxes (acc. 1516)	57		14,138,306	14,138,306
3. Other provisions (acc. 1511+1512+1513+1514+1518)	58		285,792	59,523
TOTAL PROVISIONS (rows 56 +57 + 58)	59	2	14,424,098	14,197,829
J. SHARE CAPITAL AND RESERVES				
I. SHARE CAPITAL (rows 62 to 63) out of which:				
	61	7	13,778,392,208	13,778,392,208
- subscribed unpaid share capital (acc. 1011)	62		-	370,823,112
- subscribed paid in capital (acc. 1012)	63		13,778,392,208	13,407,569,096
IV. RESERVES (rows 68-69+70+71+72+73+74)	67		(2,146,209,927)	(3,128,333,293)
1. Legal reserves (acc. 1061)	68		102,524,308	129,803,202
2. Reserves related to impairment adjustments of financial assets (acc.1062 - <i>debit balance</i>)	69		2,369,140,506	3,378,542,766
4. Reserves for financial assets received free of charge (acc.1065)	71		106,715	106,715
7. Other reserves (acc.1068)	74		120,299,556	120,299,556
TREASURY SHARES (acc.109 – <i>debit balance</i>)	75		-	120,268,583
V. RETAINED EARNINGS (acc. 117)				
Credit balance	78		74,278,645	74,364,048
VI. RESULT FOR THE YEAR (acc. 121)				
Credit balance	80		456,183,821	543,825,216
Profit allocation (acc. 129 – <i>debit balance</i>)	82	3	23,369,371	27,278,894
TOTAL SHAREHOLDERS' EQUITY (rows 61 + 64 + 65 - 66 + 67 -75+76-77+78 -79+80-81-82)	83		12,139,275,376	11,120,700,702

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch acting in the capacity of Sole Director of S.C. Fondul Proprietatea S.A.

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

The accompanying notes are an integral part of these financial statements.
This is a translation from the official Romanian version.

S.C. FONDUL PROPRIETATEA S.A.
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011
FORM CODE 20

(all amounts are expressed in Lei, unless otherwise specified)

A	Row	Note	Financial year end	
			31 December 2010	31 December 2011
	B		1	2
A. REVENUES FROM CURRENT ACTIVITY –				
TOTAL (rows 02 to 11)	01	4	576,629,495	617,888,992
1. Revenues from financial assets (acc. 761)	02	15	179,049,051	519,065,354
4. Revenues from disposal of financial assets (acc.758(part)+764)	05		-	13,375,649
6. Revenues from provisions, receivables previously written off and sundry debtors (acc.754+781+786)	07		217,362,939	30,514,774
7. Revenues from foreign exchange differences (acc.765)	08		47,734,665	1,616,566
8. Interest income (acc.766)	09		131,466,209	41,129,291
10. Other income from current activity (acc. 705+706+708+741+758(part)+767+768 +7815)	11		1,016,631	12,187,358
B. EXPENSES FROM CURRENT ACTIVITY –				
TOTAL (rows 13 to 20)	12	4	109,242,071	72,311,111
12. Expenses from disposal of financial assets (acc. 658(part) +664)	14		-	4,575,871
13. Expenses from foreign exchange differences (acc. 665)	15		56,899,816	915,724
14. Interest expense (acc. 666)	16		214	13
15. Commissions and fees (acc.622)	17		6,004,697	17,241,312
16. Expenses for bank services and similar expenses (acc.627)	18		130,168	57,490
17. Depreciation and amortisation, provisions, losses from receivables and sundry debtors (acc.654+681+686)	19		239,567	11,705,864
18. Other expenses from current activity (rows 21+22+23+26+27)	20		45,967,609	37,814,837
a. Materials expenses (acc.602+603+604)	21		155,975	332
b. Utilities expenses (water and energy) (acc.605)	22		27,062	-
c. Salary expenses (rows 24+25), of which:	23		4,068,409	848,729
c1. Salaries (acc.621+641+642 +644)	24	8	3,202,543	687,346
c2. Social security contributions (acc. 645)	25		865,866	161,383
d. Third party expenses (acc.611+612+613+614+623+624+625+626+628+658(part)+667 +668)	26		33,564,147	36,808,396
e. Other taxes, duties and similar expenses (acc. 635)	27		8,152,016	157,380
C. CURRENT RESULT				
- Profit (row 01 - 12)	28		467,387,424	545,577,881
19. TOTAL REVENUE (rows 01+30)	34		576,629,495	617,888,992
20. TOTAL EXPENSES (rows 12+31)	35		109,242,071	72,311,111
G. GROSS PROFIT:				
- Profit (row 34 - 35)	36		467,387,424	545,577,881
21. INCOME TAX EXPENSE				
- Income tax expense (acc.691)	38	10	11,203,603	1,752,665
H. RESULT FOR THE YEAR				
- Profit (row 36-38-39)	40		456,183,821	543,825,216

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch acting in the capacity of Sole Director of S.C. Fondul Proprietatea S.A.

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

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S.C. FONDUL PROPRIETATEA S.A.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are expressed in Lei, unless otherwise specified)

	2010	2011
Cash flows from operating activities		
Payments to suppliers and similar payments	(8,104,099)	(36,562,383)
Payments to employees and similar payments, including related taxes and contributions	(6,324,341)	(894,909)
Payments related to other taxes and fees	(12,925,345)	(15,761,235)
Other receipts, net of other payments	146,722	63,718
Interest paid	(214)	(13)
Income tax paid	(15,379,807)	(1,109,707)
Net cash flows used in operating activities	(42,587,084)	(54,264,529)
Cash flows from investment activities		
Dividends received	174,979,796	497,369,612
Interest received	141,245,712	46,014,462
Payments for the acquisition of tangible and intangible assets	(22,427)	-
Proceeds from disposal of tangible and intangible assets	94,727	-
Payments for acquisition of financial assets	(47,335,500)	(769,842,368)
Proceeds from disposal of financial assets	-	13,425,649
Other receipts related to financial assets	38,488	12,488,059
Net proceeds from/(payments for) treasury bonds & bills	(246,272,509)	52,838,373
Net collection of deposits with original maturity greater than 3 months	930,163,463	378,486,499
Net cash flows generated from investment activities	952,891,750	230,780,286
Cash flows from financing activities		
Receipts from shareholders for share capital increase	42,962,232	-
Dividends paid, including related withholding tax	(1,093,273,371)	(452,037,883)
Payments for buybacks	-	(120,268,583)
Net cash flows used in financing activities	(1,050,311,139)	(572,306,466)
Net decrease in cash and cash equivalents	(140,006,473)	(395,790,709)
Cash and cash equivalents as at the beginning of the year	842,566,966	693,486,892
Foreign exchange differences on cash and cash equivalents	(9,073,601)	(303,031)
Cash and cash equivalents as at the end of the year	693,486,892	297,393,152

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch acting in the capacity of Sole Director of S.C. Fondul Proprietatea S.A.

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

The accompanying notes are an integral part of these financial statements.
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FONDUL PROPRIETATEA S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are expressed in RON, unless otherwise specified)

Element of equity	Balance as at 1 January 2010	Increases		Decreases		Balance as at 31 December 2010
		Total	Of which, by transfer	Total	Of which, by transfer	
Subscribed paid in share capital	13,743,121,175	35,271,033	14,471,410	-	-	13,778,392,208
Subscribed unpaid share capital	497,419,500	-	-	497,419,500	14,471,410	-
Legal reserves – <i>Credit balance</i>	79,154,937	23,369,371	23,369,371	-	-	102,524,308
Reserves related to impairment adjustments of financial assets – <i>Debit Balance</i>	(3,441,563,626)	(37,604,722)	-	(1,110,027,842)	-	(2,369,140,506)
Other reserves – <i>Credit Balance</i>	120,299,556	-	-	-	-	120,299,556
Reserves from shares received free of charge – <i>Credit balance</i>	-	106,715	-	-	-	106,715
Result from the adjustment of accounting errors – <i>Credit Balance</i>	74,136,468	-	-	-	-	74,136,468
Retained earnings representing profit not allocated – <i>Credit Balance</i>	430,827,572	693,631,408	693,631,408	1,124,316,803	-	142,177
Result for the year (profit) – <i>Credit Balance</i>	730,138,324	456,183,821	-	730,138,324	730,138,324	456,183,821
Allocation of profit – <i>Debit Balance</i>	(36,506,916)	(23,369,371)	(23,369,371)	(36,506,916)	(36,506,916)	(23,369,371)
Total equity	12,197,026,990	1,147,588,255	708,102,818	1,205,339,869	708,102,818	12,139,275,376

The decrease in *retained earnings representing profit not allocated – Credit Balance* of RON 1,124,316,803 represents the 2010 dividend distribution relating to 2008 and 2009 earnings. The gross dividend (aggregated for 2008 and 2009) was RON 0.0816 per share.

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch acting in the capacity of Sole Director of S.C. Fondul Proprietatea S.A.

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

FONDUL PROPRIETATEA S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are expressed in RON, unless otherwise specified)

Element of equity	Increases			Decreases		Balance as at 31 December 2011
	Balance as at 1 January 2011	Total	Of which, by transfer	Total	Of which, by transfer	
Subscribed paid in share capital	13,778,392,208	11,434,941	11,434,941	382,258,053	382,258,053	13,407,569,096
Subscribed unpaid share capital	-	382,258,053	382,258,053	11,434,941	11,434,941	370,823,112
Legal reserves – <i>Credit Balance</i>	102,524,308	27,278,894	27,278,894	-	-	129,803,202
Reserves related to impairment adjustments of financial assets – <i>Debit Balance</i>	(2,369,140,506)	(2,284,540,061)	-	(1,275,137,801)	-	(3,378,542,766)
Other reserves – <i>Credit Balance</i>	120,299,556	-	-	-	-	120,299,556
Reserves from shares received free of charge – <i>Credit Balance</i>	106,715	-	-	-	-	106,715
Treasury shares – <i>Debit Balance</i>	-	(120,268,583)	-	-	-	(120,268,583)
Result from the adjustment of accounting errors – <i>Credit Balance</i>	74,136,468	-	-	-	-	74,136,468
Retained earnings representing profit not allocated – <i>Credit Balance</i>	142,177	432,814,449	432,814,450	432,729,046	-	227,580
Result for the year (profit) – <i>Credit Balance</i>	456,183,821	543,825,216	-	456,183,821	456,183,821	543,825,216
Allocation of profit – <i>Debit Balance</i>	(23,369,371)	(27,278,894)	(27,278,894)	(23,369,371)	(23,369,371)	(27,278,894)
Total equity	12,139,275,376	(1,034,475,985)	826,507,444	(15,901,311)	826,507,444	11,120,700,702

The decrease in *retained earnings representing profit not allocated - Credit Balance* of RON 432,729,046 represents the 2011 dividend distribution relating to 2010 earnings. The gross dividend was RON 0.03141 per share.

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch acting in the capacity of Sole Director of S.C. Fondul Proprietatea S.A.

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

S.C. FONDUL PROPRIETATEA S.A.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are expressed in RON, unless otherwise specified)

1. NON-CURRENT ASSETS**Financial assets**

The movements in portfolio of investments held as financial assets are presented below:

	Financial Assets
Gross value (acquisition cost/valuation)	
Balance as at 1 January 2011	13,268,167,034
Acquisitions	770,804,697
Free shares received as contributions to share capital	1,704,560
Disposals	(26,012,116)
Balance as at 31 December 2011	14,014,664,175
Adjustments for impairment of financial assets	
Balance as at 1 January 2011	(2,377,644,103)
Adjustments for impairment during the period through reserves (acc.1062)	(2,284,540,061)
Reversal of adjustments for impairment during the period through reserves (acc.1062)	1,275,137,801
Reversal of adjustments for impairment during the period through income statement (acc. 7863)	260,268
Balance as at 31 December 2011	(3,386,786,095)
Net book value as at 1 January 2011	10,890,522,931
Net book value as at 31 December 2011	10,627,878,080

During 2011, Fondul Proprietatea S.A. (referred to as “Fondul Proprietatea” or the “Fund”) performed the following acquisitions and disposals of portfolio investments held as financial assets:

- Increased its exposure to Alro SA, Azomures SA, BRD Groupe Societe Generale SA and Conpet SA.
- Added three new holdings to its portfolio: Erste Group Bank AG, Raiffeisen Bank International AG and Banca Transilvania SA.
- Sold its entire holdings in Marlin SA, Familial Restaurant SA, Laromet SA and Zamur SA through public auctions, at prices equal or above the values carried in the Net Assets Value (“NAV”) reports of the Fund, and its holding in Vitacom SA and part of its holding in Oil Terminal SA on open market.
- Disposed of its shares held in Comcereal Harghita SA at the price approved by the General Shareholders Meeting of the company during the delisting process from the Bucharest Stock Exchange.
- Disposed of its holding in Retizoh in the liquidation process of this company. The liquidation proceeds for the investment in Retizoh have been received by the Fund in May 2011 and the company was removed from the Trade Register in August 2011.

Additionally, the Fund received 170,456 free shares in Hidroelectrica SA accounted for as contributions in kind to share capital of the Fund (at the nominal value of 10 RON/share). These free shares were received following the application of the provisions of Government Emergency Ordinance (“GEO”) 81/2007. The source of the increase in share capital is the land for which the company obtained title deeds.

1. NON-CURRENT ASSETS (continued)

The movements in impairment adjustment for the financial assets during 2011 are presented below:

Name of the company	Balance as at 1 January 2011	Adjustments for impairment during the year	Reversal of adjustments for impairment to income statement	Reversal of adjustments for impairment during the year through reserves	Balance as at 31 December 2011
Adjustments for impairment of shares held in subsidiaries					
Romplumb SA	13,357,871	5,891,348	-	-	19,249,219
Primcom SA	-	4,018,239	-	1,073,437	2,944,802
Others	1,595,822	5,738,887	-	4,168,150	3,166,559
Total – adjustments for impairment of shares held in subsidiaries	14,953,693	15,648,474	-	5,241,587	25,360,580
Adjustments for impairment of investments in associates					
OMV Petrom SA	1,898,168,649	1,651,713,877	-	1,139,113,018	2,410,769,508
Total - adjustments for impairment of investments in associates	1,898,168,649	1,651,713,877	-	1,139,113,018	2,410,769,508
Adjustment for impairment in other investments held as financial assets					
Nuclearelectrica SA	269,715,692	253,051,804	-	58,733,255	464,034,241
Erste Group Bank AG	-	128,305,907	-	7,797,474	120,508,433
Raiffeisen Bank International AG	-	100,980,864	-	-	100,980,864
Transelectrica SA	71,142,061	47,497,018	-	28,201,354	90,437,725
BRD - Group Societe Generale SA	-	54,257,983	-	-	54,257,983
Romaero SA	40,301,444	6,624,040	249,283	1,980,592	44,695,609
Uzina Mecanica Bucuresti SA	20,024,890	-	-	-	20,024,890
Electrica Furnizare SA	-	17,819,672	-	-	17,819,672
Electrica Furnizare Muntenia Nord SA	6,412,890	(6,412,890)	-	-	-
Electrica Furnizare Transilvania Sud SA	6,228,377	(6,228,377)	-	-	-
Electrica Furnizare Transilvania Nord SA	5,178,405	(5,178,405)	-	-	-
ENEL Energie SA	3,361,417	8,756,391	-	-	12,117,808
Banca Transilvania	-	10,066,630	-	-	10,066,630
Altele	42,156,585	7,637,073	10,985	34,070,521	15,712,152
Total adjustments for impairment in other investments held as financial assets	464,521,761	617,177,710	260,268	130,783,196	950,656,007
TOTAL	2,377,644,103	2,284,540,061	260,268	1,275,137,801	3,386,786,095

This is a translation from the official Romanian version.

1. NON-CURRENT ASSETS (continued)

List of the financial assets as at 31 December 2011:

Name of the company	% of the share capital held as at 31 December 2011	Cost as at 31 December 2011	Adjustment for impairment as at 31 December 2011	Cost less impairment adjustment as at 31 December 2011
Shares held in subsidiaries				
Zirom SA	100.00%	36,030,702	-	36,030,702
Primcom SA	78.97%	20,489,158	2,944,801	17,544,357
Delfincom SA	65.50%	6,225,070	1,475,065	4,750,005
Carom - Broker Asigurare SA	70.00%	1,161,986	139,774	1,022,212
Alcom SA	71.89%	471,051	280,299	190,752
Comsig SA	69.94%	132,633	-	132,633
Romplumb SA	51.00%	19,249,219	19,249,219	-
Prestari Servicii SA	70.55%	1,035,339	1,035,339	-
Telerom Proiect SA	68.63%	236,083	236,083	-
Total - Shares held in subsidiaries		85,031,241	25,360,580	59,670,661
Investments in associates				
OMV Petrom SA	20.10%	5,714,197,261	2,410,769,508	3,303,427,753
Total - Investments in associates		5,714,197,261	2,410,769,508	3,303,427,753

This is a translation from the official Romanian version.

1. NON-CURRENT ASSETS (continued)

Name of the company	% of the share capital held as at 31 December 2011	Cost as at 31 December 2011	Adjustment for impairment as at 31 December 2011	Cost less impairment adjustment as at 31 December 2011
Other investments held as financial assets				
Hidroelectrica SA	19.94%	3,101,292,356	-	3,101,292,356
Nuclearelectrica SA	9.72%	967,926,936	464,034,240	503,892,696
Romgaz SA	14.99%	416,301,444	-	416,301,444
Complexul Energetic Turceni SA	24.78%	282,299,927	-	282,299,927
BRD - Group Societe Generale SA	3.64%	326,157,637	54,257,983	271,899,654
Complexul Energetic Craiova SA	24.35%	250,169,153	-	250,169,153
Transgaz SA	14.98%	177,353,514	-	177,353,514
Alro SA	10.21%	176,479,575	-	176,479,575
Transelectrica SA	13.49%	262,614,413	90,437,724	172,176,689
Electrica Distributie Muntenia Nord SA	21.99%	165,221,141	-	165,221,141
ENEL Distributie Banat SA	24.12%	141,578,929	-	141,578,929
Complexul Energetic Rovinari SA	23.60%	137,615,732	-	137,615,732
Aeroporturi Bucuresti SA	20.00%	131,168,263	-	131,168,263
E.ON Moldova Distributie SA	22.00%	131,073,011	-	131,073,011
Electrica Distributie Transilvania Sud SA	21.99%	125,918,629	-	125,918,629
ENEL Distributie Dobrogea SA	24.09%	114,760,053	-	114,760,053
Electrica Distributie Transilvania Nord SA	22.00%	113,299,904	-	113,299,904
Enel Distributie Muntenia SA	12.00%	107,277,263	-	107,277,263
Raiffeisen Bank International AG	0.55%	195,075,547	100,980,864	94,094,683
Posta Romana SA	25.00%	84,664,380	-	84,664,380
Societatea Nationala a Sarii SA	48.99%	76,347,715	-	76,347,715
Erste Group Bank AG	0.32%	192,563,651	120,508,433	72,055,218
Conpet SA	29.70%	69,313,368	-	69,313,368
GDF Suez Energy SA	12.00%	59,982,622	-	59,982,622
CN Administratia Porturilor Maritime SA	19.99%	52,621,414	-	52,621,414
Banca Transilvania SA	2.93%	56,051,342	10,066,630	45,984,712
E.ON Energie Romania SA	13.39%	45,765,358	-	45,765,358
E.ON Gaz Distributie SA	11.99%	37,470,244	-	37,470,244
Azomures SA	11.12%	22,840,150	-	22,840,150
CN Administratia Canalelor Navigabile SA	20.00%	15,194,209	-	15,194,209
Severnava SA	39.10%	14,014,409	-	14,014,409
ENEL Energie SA	12.00%	26,124,808	12,117,808	14,007,000
Romaero SA	20.99%	58,533,949	44,695,609	13,838,340
Oil Terminal SA	8.45%	13,057,145	4,198,170	8,858,975
Forsev SA	28.14%	3,780,366	-	3,780,366

This is a translation from the official Romanian version.

1. NON-CURRENT ASSETS (continued)

Name of the company	% of the share capital held as at 31 December 2011	Cost as at 31 December 2011	Adjustment for impairment as at 31 December 2011	Cost less impairment adjustment as at 31 December 2011
Other investments held as financial assets (continued)				
Enel Energie Muntenia SA	12.00%	2,833,769	-	2,833,769
Aeroportul Intl' Timisoara - Traian Vuia SA	20.00%	2,652,588	-	2,652,588
Palace SA	15.42%	1,860,419	168,999	1,691,420
Aeroportul Intl' Mihail Kogalniceanu SA	20.00%	1,490,898	-	1,490,898
CN Administratia Porturilor Dunarii Maritime SA	20.00%	1,351,671	-	1,351,671
Comcereal Cluj SA	11.36%	913,756	-	913,756
CN Administratia Porturilor Dunarii Fluviale SA	20.00%	675,810	-	675,810
Mecon SA	12.51%	484,544	-	484,544
IOR SA	2.81%	348,756	-	348,756
Electroconstructia Elco Cluj SA	7.61%	319,656	-	319,656
Celuloza si Otel SA	8.62%	230,675	-	230,675
Salubriserv SA	17.48%	207,601	-	207,601
Mecanoenergetica SA	10.07%	256,275	69,863	186,412
Transilvania Com SA	39.99%	177,010	-	177,010
Commotex SA	15.99%	193,500	24,064	169,436
Comcereal Fundulea SA	5.35%	170,530	13,914	156,616
Cetatea SA	20.43%	118,840	-	118,840
Turdapan SA	44.06%	240,000	134,320	105,680
Ciocarlia SA	1.68%	37,125	-	37,125
World Trade Hotel SA	19.90%	17,913	1,606	16,307
Uzina Mecanica Bucuresti SA	36.59%	20,024,890	20,024,890	-
Electrica Furnizare SA	22.00%	17,819,672	17,819,672	-
Plafar SA	48.99%	3,160,329	3,160,329	-
Simtex SA	30.00%	3,059,858	3,059,858	-
Petrotel - Lukoil SA	1.78%	2,787,316	2,787,316	-
Carbid Fox SA	7.96%	927,357	927,357	-
Bat Service SA	33.00%	656,686	656,686	-
Gerovital Cosmetics SA	9.76%	340,996	340,996	-
Resib SA	2.87%	126,217	126,217	-
World Trade Center Bucuresti SA	19.90%	42,459	42,459	-
Total – other investments held as financial assets		8,215,435,673	950,656,007	7,264,779,666
TOTAL		14,014,664,175	3,386,786,095	10,627,878,080

In November 2010, the General Shareholders Meetings of **Electrica Furnizare Transilvania Nord SA**, **Electrica Furnizare Muntenia Nord SA** and **Electrica Furnizare Transilvania Sud SA** approved the merger of the three companies and delegated the responsibility for the merger project planning to the companies' Boards of Directors. The registration of the new company Electrica Furnizare was completed by the Trade Registry on 22 July 2011.

In November 2011, the General Shareholders Meetings of **Primcom SA**, **Delfincom SA** and **Prestari Servicii SA** approved the merger of the three companies, with Primcom SA as absorbing company, while Delfincom SA and Prestari Servicii SA were the absorbed companies. This merger was completed in January 2012.

This is a translation from the official Romanian version.

2. PROVISIONS

Provisions	1 January 2011	Transfers		31 December 2011
		Increase	Reversal	
Provisions for taxes	14,138,306	-	-	14,138,306
Provisions for restructuring	285,792	-	226,269	59,523
TOTAL	14,424,098	-	226,269	14,197,829

The provisions for taxes are related to the reserves for securities received free of charge from portfolio companies that increased their share capital through incorporation of reserves.

The provisions for restructuring were set up in anticipation of future changes to the management and administration of the Fund that came into effect in September 2010 on the appointment of Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch (the “Fund Manager”) as Fund Manager and Sole Administrator of the Fund. The partial reversal of the provision during 2011 relates to the Fund paying compensation to few of the previous employees whose contracts had not been terminated in 2010. The residual provision as at 31 December 2011 covers the compensation rights of the one remaining employee whose labour contract has not been yet terminated for legal reasons.

3. PROFIT ALLOCATION

Destination	1 January 2011	31 December 2011
Net profit to be allocated, of which:	456,183,821	543,825,216
- Legal reserve	23,369,371	27,278,894
Profit not allocated	432,814,450	516,546,322

During 2011 the Fund distributed dividends related to earnings of the financial year 2010, totalling RON 432,729,046. The gross dividend amounted to RON 0.03141 per share.

Being an entity regulated by CNVM and governed by Capital Market Law (Law 297/2004, as subsequently amended), the calculation of net assets for the Fund was performed according to that law and CNVM regulations, permitting dividend distributions in 2011 and 2010.

The Fund computes and reports monthly to CNVM the net asset value according to CNVM Regulation no. 4/2010, modified by the Disposal of Measures no. 17/25.11.2010. The net asset value as at 31 December 2011 was RON 14,465,379,292.28.

The Fund has allocated 5% of its 2011 and 2010 profits to legal reserves. These amounted to RON 27,278,894 in 2011 and RON 23,369,371 in 2010.

Any further allocation of the profit for the financial year 2011, including any distribution of dividends, is subject to shareholders' decision.

The Fund's dividend policy is as follows: “In the absence of exceptional market conditions or circumstances, the Fund Manager intends to recommend to shareholders the distribution of 100% of distributable revenue profits each year, broadly defined as gross dividend income received from investments and interest earned on cash deposits, less expenses and taxation, subject to legal and taxation regulations”.

4. ANALYSIS OF THE OPERATING RESULT

Caption	2010	2011
Revenues from financial assets (acc.761)	179,049,051	519,065,354
Revenues from disposal of financial assets (acc.764)	-	13,375,649
Revenues from foreign exchange differences (acc.765)	47,734,665	1,616,566
Interest income (acc.766)	131,466,209	41,129,291
Revenues from provisions and impairment adjustments reversals (acc.781 + acc.786), including:	217,362,939	30,514,774
- from provisions for restructuring (acc.7812)	750,074	226,269
- from adjustments for impairment of dividend receivables (acc.7814)	-	28,323,677
- from adjustment for impairment of financial assets (acc.7863)	216,612,865	260,268
- from adjustments for impairment of receivables related to unpaid capital (acc.7864)	-	1,704,560
Other income from current activity (acc.706 + acc.708 + acc.758)	1,016,631	12,187,358
REVENUES FROM CURRENT ACTIVITY	576,629,495	617,888,992

Revenues from financial assets included dividends receivable from portfolio companies, net of withholding tax on dividends.

In 2011, *revenues from provisions and impairment adjustments reversals* were mostly accounted for by the reversal of impairment adjustments for the 2005 dividends collected from Transgaz, of RON 9,634,993 and Romgaz, of RON 18,510,456. The litigations against Transgaz, respectively Romgaz for the recovery of these dividends and the related penalties for late payment were irrevocably found in the Fund's favour in 2011.

Other income from current activity principally includes penalties levied by the Fund for late payment of dividends and litigation expenses recovered. The main elements of this income in 2011, RON 4,242,565 and RON 5,849,147 respectively, relate to the 2005 Transgaz and Romgaz dividends collected mentioned above.

4. ANALYSIS OF THE OPERATING RESULT (continued)

Caption	2010	2011
Expenses from disposal of financial assets (acc.664)	-	(4,575,871)
Expenses from foreign exchange differences (acc.665)	(56,899,816)	(915,724)
Interest expense (acc.666)	(214)	(13)
Expenses with banking and similar charges (acc.627)	(130,168)	(57,490)
Commissions and fees (acc.622)	(6,004,697)	(17,241,312)
Depreciation and amortisation, impairment adjustments and provisions expenses (acc.681+ acc.686), including:	(239,567)	(11,705,864)
• depreciation/amortisation of tangible /intangible assets (acc. 6811)	(107,626)	-
• provisions for risks and charges (acc.6812)	(111,654)	-
• impairment of dividend receivables (acc.6814)	(20,287)	-
• impairment of receivables related to unpaid capital (acc.6864)	-	(11,705,864)
Other expenses from current activity, including:	(45,967,609)	(37,814,837)
• materials (acc.602 + acc.603 + acc.604)	(155,975)	(332)
• utilities (acc.605)	(27,062)	-
• personnel, administrators and similar expenses, including:	(4,068,409)	(848,729)
- salaries and incentives (acc.641+ acc.642)	(3,202,543)	(687,346)
- social security (acc.645)	(865,866)	(161,383)
• external services, including:	(33,564,147)	(36,808,396)
- third parties services (acc.628)	(31,340,014)	(35,306,977)
- marketing and public relations (acc.623)	(123,600)	(1,081,049)
- rents (acc.612)	(562,790)	(114,414)
- transportation, business, travels (acc.624+ acc.625)	(27,158)	-
- insurance premiums (acc.613)	(209,500)	(202,550)
- post and telecommunications (acc.626)	(90,641)	(65,190)
- other expense (acc.611+ acc.658)	(1,210,444)	(38,216)
• other taxes and similar expenses (acc.635)	(8,152,016)	(157,380)
EXPENSES FROM CURRENT ACTIVITY	(109,242,071)	(72,311,111)
GROSS RESULT FROM CURRENT ACTIVITY	467,387,424	545,577,881

In 2011, *commissions and fees* mainly comprised monthly fees payable to CNVM, at 0.1% per annum calculated based on NAV, amounting to RON 15,594,192 (2010: RON 5,373,143) and the depositary banks' fees of RON 1,634,254 (2010: RON 627,843).

Third parties services included investment management and administration fees payable to the Fund Manager, of RON 32,149,759 in 2011 (2010: 18,305,781).

5. STATEMENT OF RECEIVABLES AND PAYABLES

Receivables	1 January 2011	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Dividend receivables - net	4,069,237	4,069,237	-	-
Interest receivable	6,498,199	6,498,199	-	-
Profit tax receivable	934,870	934,870	-	-
Trade receivables	85,547	85,547	-	-
Other receivables	850,214	850,214	-	-
TOTAL	12,438,067	12,438,067	-	-

Receivables	31 December 2011	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Dividend receivables - net	52,479,298	52,479,298	-	-
Interest receivable	876,457	876,457	-	-
Profit tax receivable	291,912	291,912	-	-
Trade receivables	1,476	1,476	-	-
Other receivables	2,236,844	2,236,844	-	-
TOTAL	55,885,987	55,885,987	-	-

As at 31 December 2011, *dividend receivables - net* was mostly accounted for the dividend receivable from Hidroelectrica, related to financial year 2010, in amount of RON 52,478,624.

Interest receivable included interest receivables on bank deposits.

As at 31 December 2011, *other receivables* included penalties for late payment of dividends payable by portfolio companies relating to financial year 2005, together with the recovery of associated litigation expenses, of RON 470,404 (1 January 2011: RON 811,131), and tax recoverable from the Austrian tax authorities relating to dividends distributed by Austrian portfolio companies, amounting to RON 1,727,358. (equivalent of EUR 399,879).

5. STATEMENT OF RECEIVABLES AND PAYABLES (continued)

Payables	1 January 2011	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Trade payables	7,442,803	7,442,803	-	-
Accrued expenses	18,086,255	18,086,255	-	-
Dividends payable	24,821,842	24,821,842	-	-
Other taxes and fees payable	9,127,933	9,127,933	-	-
Payables to shareholders related to share capital	9,730,381	9,730,381	-	-
Personnel related payables	44,739	44,739	-	-
Taxes on salaries and incentives	26,943	26,943	-	-
Sundry creditors	6,499	6,499	-	-
TOTAL	69,287,395	69,287,395	-	-

Payables	31 December 2011	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Trade payables	88,734	88,734	-	-
Accrued expenses	27,451,751	27,451,751	-	-
Dividends payable	12,238,494	12,238,494	-	-
Other taxes and fees payable	2,352,776	2,352,776	-	-
Taxes on salaries and incentives	25,018	25,018	-	-
Payments received in advance	50,000	50,000	-	-
TOTAL	42,206,773	42,206,773	-	-

As at 31 December 2011, *accrued expenses* mainly included investment management and administration fees payable to the Fund Manager of RON 27,179,316 (1 January 2011: RON 17,954,157).

As at 1 January 2011 *payables to shareholders related to share capital* represented amounts transferred by the significant shareholder of the Fund (the Romanian State, represented by the Ministry of Public Finance) in cash and in kind, but not yet converted into share capital. Out of the amount of RON 9,730,381, RON 9,395,641 represented contribution in cash, amounts from partial recovery of receivables from World Trade Center Bucuresti SA by the Fund and RON 334,740 contribution in kind, represented by shares in Plafar SA received free of charge according to GEO 81/2007. During 2011 these items partially reduced the balance of the unpaid capital receivable, while an impairment adjustment has been recorded for the remaining amount receivable.

As at 31 December 2011, *dividends payable* included dividends payable to shareholders related to the financial year 2010 for RON 5,549,461 and dividends related to years 2006 to 2009 for RON 6,689,033.

In April 2011, the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03141 per share, payable to shareholders with effect from 30 June 2011, which represented the distributable profits of the 2010 financial year.

6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

a. Preparation and presentation of the financial statements

These financial statements are the responsibility of the management of the Fund and have been prepared in accordance with the National Securities Commission (“CNVM”) Regulation no. 4/2011 regarding accounting regulations compliant with Economic European Commission Directive IV (“EEC Directive IV”), applicable to the entities authorised, regulated and monitored by the CNVM, approved by CNVM Order no. 13/2011 (“CNVM Order 13/2011”) and with CNVM Instructions no. 2/2012 regarding the preparation and submission of annual financial statements by the entities authorised, regulated and monitored by the CNVM.

The accounting regulations compliant with EEC Directive IV, approved by CNVM Order 13/2011 are applicable together with the Accounting Law no. 82/1991 (as revised).

The financial statements have been prepared on a historical cost basis. The CNVM Order 13/2011 regarding the approval of the “Accounting Regulations compliant with EEC Directive IV applicable to the entities authorised, regulated and monitored by the National Securities Commission” provides for the preparation of the financial statements at historical cost.

The Fund is required to prepare consolidated financial statements in compliance with International Financial Reporting Standards as endorsed by European Union (“IFRS”). Fondul Proprietatea Group, comprising Fondul Proprietatea S.A. and its subsidiaries will prepare a set of consolidated financial statements, in accordance with IFRS, for the year ended 31 December 2011, and these will be published in accordance with the requirements of the legislation in force.

b. Basis of preparation of the financial statements

These financial statements are prepared and expressed in RON and are rounded to the nearest unit. The financial statements have been prepared on the basis of the accounting records held by the Fund, in accordance with the Romanian accounting regulations applicable to the institutions regulated and monitored by CNVM.

These financial statements have not been prepared to reflect the financial position and the results of operations in accordance with IFRS.

The financial statements were prepared in compliance with the accrual basis of accounting. Thus, the effects of the transactions and of other events are recognised when they occur and are recorded in the accounts and reported in the financial statements of the related periods.

The general accounting principals applied are as follows:

- **Going concern principle** – assumes that the Fund will continue to operate normally in a predictable future without facing the impossibility of continuing as a going concern or without a significant reduction in its activity;
- **Consistency principle** - involves the application of the same rules regarding the evaluation and recording in the account of the transactions, ensuring the comparability in time of the financial information;
- **Prudence principle** – assumes all the impairment adjustments for assets, as well as all the liabilities and potential losses incurred current or previous financial years are recorded;

6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Basis of preparation of the financial statements (continued)

- **Accrual principle** – assumes that all the income and expenses pertaining to the financial year are recorded, irrespective of the date of receipt or payment of these income and expenses;
- **Separate valuation of assets and liabilities** – assumes that assets and liabilities are valued separately;
- **Opening balances principle** – the opening balances of each financial year are identical with the closing balances of the previous financial year.
- **Non off-setting principle** – assumes that assets can not be offset with liabilities, and income can not be offset with expenses, except for the offsetting allowed by CNVM Order 13/2011.
- **Substance over form** – assumes that the information presented in the financial statements reflects the economic reality of the events and transactions and not only their legal form.
- **Materiality principle** – assumes that any element that has a significant value is presented distinctly in the financial statements.

c. Use of estimates

The preparation of financial statements in accordance with CNVM Order 13/2011, with subsequent amendments, requires management to make estimates and assumptions that affect the reported value of assets and liabilities, disclosure of contingent assets and contingent liabilities at balance sheet date, and income and expenses reported to the respective financial year. Although the estimates and assumptions are made by management using the most reliable information available at balance sheet date, the actual results may differ from these estimates.

d. Going concern

These separate financial statements were prepared based on the going concern principle, which assumes that the Fund will continue its activity in the foreseeable future. In order to evaluate the applicability of this assumption, the Fund's administrator analyzes the forecasted future cash flows.

Based on this analysis, the administrator believes that the Fund will continue its activity in the foreseeable future, and, therefore, the applicability of the going concern principle is justified.

e. Foreign currency transactions

(i) Functional and presentation currency

The functional and presentation currency of the financial statements is the local currency, RON.

(ii) Translation of the transactions in foreign currency

The Fund's foreign currency transactions are translated to RON at the official exchange rate published by the National Bank of Romania ("NBR") for the transaction date. The foreign currency balances are translated to RON at the exchange rates published by NBR for balance sheet date. Any gains or losses resulting from settlement of foreign currency transactions and from conversion of foreign currency monetary assets and liabilities are recognised in the Income Statement.

The exchange rates of the main foreign currencies as at the closing date of the financial year were the following:

	31 December 2010	31 December 2011
1 Dollar (USD)	RON 3.2045	RON 3.3393
1 Euro (EUR)	RON 4.2848	RON 4.3197

6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Financial assets

(i) Classification

As at 31 December 2011 and 31 December 2010, the Fund classified as non-current financial assets all shares held in subsidiaries, investment in associates and other investments held as financial assets.

Subsidiaries are entities controlled by the Fund. Control exists when the Fund has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account, when applicable.

Associates are those entities in which the Fund has significant influence, but not control or joint control, over the financial and operating policies. The existence of significant influence is determined by analysing the ownership structure of the companies in which the Fund holds 20 percent or more of the voting power of the investee, their articles of incorporation and the Fund's power to participate in the financial and operating policy decisions of the investee. The Fund does not exercise significant influence in a number of companies in which it holds between 20 and 50 percent of the voting power, where the Fund's rights as minority shareholder are protective in nature, and not participative and the major shareholder, or a group of shareholders holding majority ownership of the investee, operates without regard to the views of the Fund.

(ii) Recognition

The Fund recognises the financial assets as at the date when they have been transferred to the Fund and are recorded at acquisition cost, including brokerage fees (where applicable) or at the value determined based on the transfer documents.

In the case of listed companies, all securities purchases which involve a settlement in a certain period, determined according to the regulations in place or upon market agreement, are recognised at the date the transaction is recorded at the exchange where shares are traded (trade date).

In case of unlisted companies, the securities purchases are recognised at the date of registration at the Trade Register and securities disposals are accounted for at the date of the transfer of ownership.

Mergers of portfolio companies are recognised at the date when the merger is registered at the Trade Register.

The initial book value represents the value of the participating securities received by the Fund as contribution to the share capital and was calculated according to the specific laws for Fondul Proprietatea.

The cost (initial value) of financial assets which are contributed in kind by the Romanian State to the Fund's share capital is determined in accordance with the provisions of Law 247/2005 regarding the reform in property and justice, as well as certain adjacent measure, as amended ("Law 247/2005") with subsequent amendments,, as follows:

- for the shares received at the Fund's establishment in December 2005, the cost is equal to:
 - the weighted average price of the last 90 trading days, provided that the last of the 90 trading days is not more than 60 days prior to 24 November 2005, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
 - the book value of the shareholders' equity at 31 December 2004, determined in accordance with statutory financial statements, multiplied by the Fund's holding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the shares received in June 2007, in accordance with GEO 81/2007, the cost is equal to:
 - the weighted average price of the last 90 trading days prior to 29 June 2007, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;

This is a translation from the official Romanian version.

6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Financial assets (continued)

- the book value of the shareholders' equity at 31 December 2006, determined in accordance with statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the additional shares received in companies owned by the Romanian State (through the Fund and State authorities) and to which the State has made contributions in kind, which are received by the Fund so as not to dilute its shareholding in such companies, the cost for the Fund is determined at the nominal value of the shares received.

(iii) Measurement

Financial assets are initially recognised at acquisition cost.

Subsequent to the initial recognition, according to the provisions of CNVM Order 13/2011, with subsequent amendments, financial assets are carried in the balance sheet at historical cost, less accumulated adjustments for impairment.

As at balance sheet date, the carrying value (acquisition cost plus additions) should be compared with the recoverable value. The negative differences shall be recorded as impairment adjustments in a shareholders' equity account (account 1062 – Reserves related to impairment adjustments of financial assets), while the positive differences shall not be recorded.

For financial assets, the recoverable value is determined as follows:

- For listed securities, with an adequate liquidity (traded in the last 30 days before year end), it is calculated based on the last available closing price in the year.
- For unlisted securities or for illiquid listed securities, it is estimated using shareholders' equity as per the most recently available financial statements of the issuers (e.g.: semi-annual or annual financial statements), proportionally with the stake held by the Fund.

The management decides on the classification of the financial assets at the time of acquisition.

All equity investments of the Fund as at 31 December 2011 and 31 December 2010 were classified as non-current financial assets, as the Fund's investment objective is long-term capital appreciation via investments in equities or equities-linked securities.

(iv) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The derecognition of any financial asset disposed of is recognised on the date when ownership is transferred.

g. Adjustment for the impairment of financial assets

The carrying value of the Fund's assets is reviewed at each balance sheet date to determine whether there are indications of impairment. If such indicators exist, the recoverable value of the Fund's assets is estimated. An adjustment for impairment is recorded if the carrying value of the asset exceeds its recoverable value. The adjustments for impairment of financial assets were recognised in year 2007 in the income statement, and subsequently, after the issuance of CNVM Order 11/2009, the Fund opted for the accounting policy to recognise these adjustments in the reserve account 1062 – "Reserves related to impairment adjustments of financial assets". This accounting policy is included in CNVM Order 13/2011 as well.

This is a translation from the official Romanian version.

6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)

The impairment adjustment can be reversed if a change in the conditions existing at the time of determining the recoverable value occurred. The reversal of an impairment adjustment can only be made such that the net value of the asset does not exceed its historical book value. The adjustments for impairment are reversed as follows:

- to income, if the adjustments were initially recognised through income statement;
- by changing the reserve account – 1062, if the adjustments were initially recognised directly in this account.

h. Cash and cash equivalents

Cash and cash equivalents are recorded in the balance sheet at cost. For the purposes of the Statement of Cash Flows, cash and cash equivalents include the petty cash, current accounts with banks and short term financial investments comprising bonds, placements in bank deposits with original maturity less than 3 months and securities purchased by REPO operations.

i. Provisions

The provisions are recognised when the Fund has a legal or implicit obligation resulted from past events, when in order to settle the obligation an outflow of resources embodying economic benefits is necessary and when a reliable estimate can be made with regard to the value of the obligation.

j. Employees' benefits

During the normal course of business, the Fund makes payments due to the state health, pensions and unemployment funds related to its employees in accordance with the regulations in force. All the employees are members of the pension plan of the Romanian State. Such costs are recognised in the Income Statement together with the recognition of the salaries.

The Fund does not operate any other pensions plan or post retirement benefits plan and therefore has no obligations regarding pensions

k. Taxation

The Fund records the current income tax liabilities based on the taxable income in the tax reporting, according to the relevant Romanian laws. The income tax rate for the year 2011 is 16% (2010: 16%).

l. Income recognition*(i) Income from investments*

Dividend income paid by listed companies is recognised at the ex-dividend date. Dividend income distributed by unlisted companies is recorded on the date when such companies' General Shareholders Meetings approve dividends.

(ii) Interest income

Interest income is recognised according to the accrual principle, taking into consideration the interest due according to contractual clauses during the financial year, to the extent that it is certain that upon the due date the interest can be actually collected.

(iii) Income from sale of securities

Gains or losses from the disposal of the financial assets are recognised in the Income Statement at the date of derecognition of the financial assets.

6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Shares free of charge

The shares received free of charge from the companies in the portfolio are recognised at nominal value. According to the provisions of Law 247/2005 (title VII, article 9 paragraph (6)), with subsequent amendments, the cost of these free shares was partially used to cover the share capital subscribed and still unpaid by the Romanian State.

The shares received free of charge resulting from the incorporation of reserves of portfolio companies are recorded at nominal value as at the date of entering the portfolio of the respective shares. These shares are recorded in account 1065 - Reserves for securities received free of charge.

Free shares are recorded in accounting at the date when they are recorded with the Central Depository (for listed shares) or Trade Register (for unlisted shares).

n. Treasury shares

The Fund recognises treasury shares (repurchases of own shares) at the date when the transaction is recorded at the exchange where shares are traded (trade date) and are recorded at acquisition cost, including brokerage fees.

o. Dividend payable

Dividends declared by the Fund are recorded as dividend payable when the Fund's General Shareholders Meeting approves them, as the Fund is then legally obliged to pay them.

According to the provisions of the legislation in force, the Fund is allowed to cancel the rights of shareholders to collect any dividends which have remained unclaimed 3 years after the date when the respective dividend distribution commenced. Upon cancellation, the Fund records the value of these dividends as income in the Income Statement. The Fund did not record any such income in year 2011 or in year 2010.

p. Value added tax

The Fund is not a taxable legal entity for the purposes of the provisions of the Fiscal Code. As a result, value added tax is recognised as part of the expenses for the acquisition of services or as part of the acquisition value for the purchases of goods (inventories or fixed assets).

7. FINANCING SOURCES

Shares

As at 31 December 2011, the share capital subscribed was RON 13,778,392,208 representing 13,778,392,208 shares with a nominal value of 1 RON/share, out of which 370,823,112 shares were unpaid.

The shareholding structure as at 31 December 2011 is the following:

No.	Category of shareholder	Number of shares held	% of the share capital
1	Ministry of Public Finance	2,113,769	0.02%
2	Romanian institutional shareholders	1,260,220,616	9.15%
3	Foreign institutional investors	5,806,050,336	42.14%
4	Treasury shares	240,304,801	1.74%
5	Unpaid shares	370,823,112	2.69%
	Subtotal – Institutional shareholders	7,679,512,634	55.74%
6	Romanian private individuals	4,808,158,673	34.89%
7	Foreign private individuals	1,290,720,901	9.37%
	Subtotal – Individual shareholders	6,098,879,574	44.26%
	TOTAL	13,778,392,208	100.00%

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7. FINANCING SOURCES (continued)

The total number of shareholders as at 31 December 2011 was 10,845.

The shares grant shareholders different voting rights, depending on the holder and the percentage held, as provided GEO 81 / 2007, Article 12. At the Fund's General Shareholders Meeting that took place on 23 November 2011, shareholders approved the elimination of any restrictions on voting rights (1 paid share = 1 vote). This will be effective after the approval of the new Constitutive Act of the Fund by CNVM. As at 31 December 2011, this Constitutive Act had not yet been approved by CNVM (it was approved on 12 January 2012).

Unpaid share capital represents the net value of certain contributions due from the Romanian State represented by the Ministry of Public Finance, as shareholder, to the Fund that were recorded in previous years as paid capital (based on Law 247/2005, with subsequent amendments).

During 2011 some of the paid capital has been transferred to the unpaid share capital as explained in the following table:

Unpaid share capital movement during 2011	Amount
Balance as at 1 January 2011	-
Romanian State represented by the Ministry of Public Finance did not fulfil the obligation of the transfer of 1,002,301 shares of Electromecanica Ploiesti SA, subsidiary of CN Romarm, to the Fund (recorded based on Fund Manager's Decision 24/31 May 2011)	21,436,245
Romanian State represented by the Ministry of Public Finance did not fulfil the obligation of the transfer of 2,951,053 shares of Uzina Mecanica Bucuresti SA, subsidiary of CN Romarm, to the Fund (recorded based on Fund Manager's Decision 35/23 August 2011)	20,024,890
Romanian State represented by the Ministry of Public did not fulfil the obligation of the transfer of 19,226,031 shares of Nuclearelectrica to the Fund (recorded based on Fund Manager's Decision 36/23 August 2011)	340,796,918
Compensation of the amounts recovered from the forced execution of World Trade Center SA and from the increase of share capital of Plafar SA in previous year (compensation recorded based on Fund Manager's Decision 34/23 August 2011)	(9,730,381)
Compensation of the value of the 170,456 shares in Hidroelectrica SA received by the Fund free of charge according to GEO 81/2007 in 2011 (compensation recorded based on Fund Manager's Decision 51/23 December 2011)	(1,704,560)
Balance as at 31 December 2011	370,823,112

The 240,304,801 shares are treasury shares, acquired by the Fund within the buy-back program approved by the Fund's General Shareholders Meeting (see Treasury Shares section below).

Treasury Shares

The Fund's General Shareholders Meeting in September 2010 approved a buy-back program of up to 10% of the Fund's share capital at prices ranging between 0.2 - 1.5 RON, which was valid until March 2012. The acquired shares can be cancelled and the share capital reduced following shareholders' approval.

The buy-back programme initiated in May 2011 was completed by 30 September 2011. During the programme, 240,304,801 shares equivalent to 1.74% of the Fund subscribed share capital were bought back for a total amount of RON 120,268,583.

At the General Shareholders Meetings on 23/25 November 2011, the Fund Manager proposed to cancel the treasury shares, but the proposal was not voted due to the lack of a quorum (a quorum of at least 50% of paid share capital is required for such a motion). The proposal to cancel these shares will be carried forward to the 2012 shareholder meetings.

This is a translation from the official Romanian version..

8. INFORMATION REGARDING THE EMPLOYEES, ADMINISTRATORS AND MANAGEMENT

	2010	2011
Gross salaries:		
Members of the Board of Nominee	137,045	535,500
Members of the Supervisory Board	706,162	-
Members of the Directorate	967,355	-
Members of the Selection Commission	94,000	-
Employees	1,297,981	151,846
Gross salaries and incentives expense	3,202,543	687,346

Note: the expenses representing the Fund's contribution to the social security budgets, health budgets, unemployment and social protection budgets are not included in the amounts above. All the amounts presented above are gross amounts and include the taxes and contributions owed by the employees/administrators/directors/members of Board of Nominee, according to the laws in force.

During 2010, before the administration and investment management of the Fund was taken over by the Fund Manager, Fondul Proprietatea was administered under a dualist system by a Supervisory Board consisting of 7 members and a Directorate (Management Board) of 3 members. These persons acted as administrators/managers based on a mandate.

On 29 September 2010 the administration and management of Fondul Proprietatea was taken over by Franklin Templeton Investment Management Limited, United Kingdom, Bucharest Branch, which was appointed as Sole Director and according to the Investment Management Agreement also acts as Fund Manager of the Fund. The activity of the Fund Manager is supervised by the Board of Nominees, composed of 5 members appointed by the shareholders.

The amounts representing gross salaries granted to the members of the Board of Nominee in 2011 and 2010 were granted only for their capacity as members of this Board.

In 2011, the gross salary cost for employees represented compensation payments for contract termination during 2011. The 2010 gross salary costs for employees and Directorate presented include compensation payments for contract termination in 2010, according to labour contracts.

As at 31 December 2011 the Fund had only one employee, which was in child care leave. The average number of employees of the Fund in 2010 was 1.

9. COMPUTATION AND ANALYSIS OF THE MAIN FINANCIAL RATIOS

1. Liquidity ratios

	1 January 2011	31 December 2011
a) Current liquidity ratio (number of times)		
$\frac{\text{Current Assets}}{\text{Current liabilities}} =$		
	19.23	13.01
b) Quick liquidity ratio/acid test (number of times)		
$\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}} =$		
	19.23	13.01
c) Payment capacity ratio		
$\frac{\text{Cash and bank accounts} + \text{Short term financial investments}}{\text{Current liabilities}} =$		
	19.05	11.69

2. Risk ratios

	1 January 2011	31 December 2011
a) Gearing ratio		
$\frac{\text{Borrowed capital}}{\text{Shareholders equity}} =$		
	-	-
b) Solvency ratio		
$\frac{\text{Total assets}}{\text{Current liabilities}} =$		
	176.41	264.82

Gearing ratio is zero, as the Fund had no borrowings as at 31 December 2011 and 2010.

3. Activity ratios (management ratios)

	1 January 2011	31 December 2011
c) Turnover of non-current assets (number of times)		
$\frac{\text{Turnover}}{\text{Non-current assets}} =$		
	0.053	0.058
d) Turnover of total assets (number of times)		
$\frac{\text{Turnover}}{\text{Total assets}} =$		
	0.047	0.055

4. Profitability ratios

	2010	2011
a) Profitability of capital employed (%)		
Profit before interest and income tax /Capital employed*	3.85%	4.91%
b) Return on Assets (%)		
$\frac{\text{Net Profit}}{\text{Total assets}} =$		
	3.73%	4.87%
c) Return on Equity (%)		
$\frac{\text{Net Profit}}{\text{Shareholders' equity}} =$		
	3.76%	4.89%
d) Dividend yield (%)		
$\frac{\text{Dividend per share}}{\text{Share price***}} =$		
	N/A	0.07
e) Dividend payout ratio		
$\frac{\text{Dividend per share}}{\text{Profit per share**}} =$		
	0.94	0.95

*) Capital employed includes Shareholders' equity

**) Dividends declared in 2010 included profits of both 2008 and 2009

***) Closing price as at 31 December 2011

This is a translation from the official Romanian version.

10. OTHER INFORMATION

a) Information regarding the presentation of the Fund

The Fund is an undertaking for collective investments, in the form of a closed end investment company, established in accordance with Law no. 247/2005, with subsequent amendments ("Law 247/2005"), and registered in Bucharest on 28 December 2005. During the reporting period, the address of the Fund's registered office was 78 – 80, Buzești Street, 7th Floor, District 1, Bucharest.

The Romanian State represented by the Ministry of Public Finance controlled the Fund during 2010, but during 2011 its holding fell below the control threshold, as the compensation process in accordance with Law 247/2005 continued.

The Fund undertakes its activities in accordance with Law 247/2005, as amended, Law 297/2004 regarding the securities market, as amended ("Law 297/2004"), and Law 31/1990 regarding companies, as republished and amended ("Law 31/1990").

In accordance with its statute, the main activity of the Fund is performing financial investments (Code CAEN 6430 – mutual funds and other similar financial entities). The Fund undertakes other additional and related activities, according to the regulations in force.

Fund's investment objective is long-term capital appreciation via investments mainly in Romanian equities or equities-linked securities.

The Fund was established to allow the payment through equivalent of compensations in respect of abusive expropriations undertaken by the Romanian State during the communist period, where properties could not be returned in kind.

The records of the shares and shareholders are kept by Depozitarul Central SA, according to the law.

In June 2009, Franklin Templeton Investment Management Ltd was selected to perform investment management and administration services for Fondul Proprietatea. The investment management agreement was signed in February 2010 and came into effect on 29 September 2010, when Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch became the Fund Manager and Sole Director of the Fund.

Since 25 January 2011 Fondul Proprietatea has been a listed company on the spot regulated market managed by the Bucharest Stock Exchange in Tier I (Shares) of the Securities Sector of the market, under ISIN number ROFPTAACNOR5 with the market symbol "FP".

b) Information regarding the relationship of the Fund with subsidiaries, associates or with other companies in which strategic investments are held

The details regarding the related parties' transactions and the nature of the relationships with them are disclosed in Note 14.

10. OTHER INFORMATION (continued)**c) Information regarding the current income tax**

	2010	2011
Gross profit	467,387,424	545,577,881
Tax deduction related to the allocation of profit to the legal reserve	(3,645,883)	(1,717,482)
Expenses with provisions and impairment adjustments - Non deductible	131,941	11,705,864
Income from provisions and impairment adjustments - Non taxable	(217,362,939)	(30,514,774)
Income from dividends - Non taxable	(179,049,051)	(511,228,240)
Other non deductible expenses	1,990,001	575,716
Taxable profit for the current year	69,451,493	14,398,965
Tax losses carried forward	-	(867,946)
Taxable profit taking into account tax losses carried forward from previous year	69,451,493	13,531,019
Current income tax (16%)	(11,112,239)	(2,164,963)
- deductions for sponsorship expenses	47,507	-
- effect of two fiscal periods in 2010	(138,871)	-
- deductible foreign tax credit	-	412,298
Income tax expense	(11,203,603)	(1,752,665)
Income tax declared for the current year and paid	12,138,473	2,044,577
Income tax receivable	934,870	291,912

d) Turnover

Turnover includes total revenues from current activity, consisting mainly of dividend income and interest income.

e) Auditor's fees

The financial auditor of Fondul Proprietatea for the year 2011 is Deloitte Audit SRL. The audit fee for the audit of the financial statements prepared in accordance with Romanian Accounting Regulations (CNVM Order 13/2011) of the year 2011 (statutory audit) is EUR 22,000, excluding VAT (RON 95,033, using the official NBR exchange rate as at 31 December 2011) and is recorded in the period when the services are provided (partially in 2011 and partially in 2012).

11. PORTFOLIO COMPONENTS

Name of the company	% of the share capital held as at 31 December 2011	Cost as at 31 December 2011	Market value as at 31 December 2011
Listed companies			
Alcom SA	71.89%	471,052	2,766,719
Alro SA	10.21%	176,479,575	236,875,321
Azomures SA	11.12%	22,840,151	79,015,589
Banca Transilvania	2.93%	56,051,342	45,984,712
BRD-Groupe Societe Generale	3.64%	326,157,637	271,899,654
Comcereal Cluj SA	11.36%	913,756	1,055,505
Comcereal Fundulea SA	5.35%	170,530	164,465
Conpet SA	29.70%	69,313,368	89,949,706
Delfincom SA	65.50%	6,225,070	3,873,882
Erste Group Bank AG	0.32%	192,563,651	72,055,218
Forsev SA	28.14%	3,780,366	6,814,913
IOR SA	2.81%	348,756	1,468,473
Mecanoenergetica SA	10.07%	256,275	186,412
Mecon SA	12.51%	484,544	600,540
Oil Terminal SA	8.45%	13,057,145	8,858,975
OMV Petrom SA	20.10%	5,714,197,261	3,303,427,754

This is a translation from the official Romanian version.

11. PORTFOLIO COMPONENTS (continued)

Name of the company	% of the share capital held as at 31 December 2011	Cost as at 31 December 2011	Market value as at 31 December 2011
Listed companies (continued)			
Palace SA	15.42%	1,860,419	1,691,420
Prestari Servicii SA	70.55%	1,035,338	-
Primcom SA	78.97%	20,489,158	17,544,357
Raiffeisen Bank International AG	0.55%	195,075,547	94,094,574
Resib SA	2.87%	126,217	-
Romaero SA	20.99%	58,533,949	13,838,340
Romplumb SA	51.00%	19,249,219	-
Severnav SA	39.10%	14,014,409	2,070,144
Telerom Proiect SA	68.63%	236,083	49,731
Transelectrica SA	13.49%	262,614,413	172,176,689
Transgaz SA	14.98%	177,353,514	394,127,877
Transilvania Com SA	39.99%	177,010	1,274,624
Turdapan SA	44.06%	240,000	105,046
Subtotal – Listed companies		7.334.315.755	4.821.970.640
Unlisted companies			
Aeroportul International Mihail Kogalniceanu - Constanta SA	20.00%	1,490,898	2,494,257
Aeroportul International Timisoara - Traian Vuia SA	20.00%	2,652,588	7,817,689
BAT Service SA	33.00%	656,686	-
Carbid Fox SA	7.96%	927,357	-
Carom - Broker Asigurare SA	70.00%	1,161,986	1,040,190
Celuloza si Otel SA	8.62%	230,675	874,488
Cetatea SA	20.43%	118,840	428,623
Ciocarlia SA	1.68%	37,125	421,727
CN Administratia Canalelor Navigabile SA	20.00%	15,194,209	15,681,169
CN Administratia Porturilor Dunarii Fluviale SA	20.00%	675,810	3,982,358
CN Administratia Porturilor Dunarii Maritime SA	20.00%	1,351,671	2,078,026
CN Administratia Porturilor Maritime SA	19.99%	52,621,414	61,773,003
CN Aeroporturi Bucuresti SA	20.00%	131,168,263	322,411,347
Commetex SA	15.99%	193,500	216,106
Complexul Energetic Craiova SA	24.35%	250,169,153	266,803,843
Complexul Energetic Rovinari SA	23.60%	137,615,732	290,225,420
Complexul Energetic Turceni SA	24.78%	282,299,927	522,596,046
Comsig SA	69.94%	132,633	156,273
E.ON Energie Romania SA	13.39%	45,765,358	94,317,201
E.ON Gaz Distributie SA	11.99%	37,470,244	115,571,013
E.ON Moldova Distributie SA	22.00%	131,073,011	220,765,398
Electrica Distributie Muntenia Nord SA	21.99%	165,221,141	238,102,986
Electrica Distributie Transilvania Nord SA	22.00%	113,299,904	170,851,862
Electrica Distributie Transilvania Sud SA	21.99%	125,918,629	183,545,053
Electrica Furnizare SA	22.00%	17,819,672	-
Electroconstructia Elco Cluj SA	7.61%	319,656	538,690
ENEL Distributie Banat SA	24.12%	141,578,929	316,723,589
ENEL Distributie Dobrogea SA	24.09%	114,760,053	218,671,655

This is a translation from the official Romanian version.

11. PORTFOLIO COMPONENTS (continued)

Name of the company	% of the share capital held as at 31 December 2011	Cost as at 31 December 2011	Market value as at 31 December 2011
Unlisted companies (continued)			
Enel Distributie Muntenia SA	12.00%	107,277,263	337,238,883
Enel Energie Mutenia SA	12.00%	2,833,769	37,340,945
ENEL Energie SA	12.00%	26,124,808	19,719,504
Fecne SA	12.12%	-	-
GDF Suez Energy Romania	12.00%	59,982,622	338,708,332
Gerovital Cosmetics SA	9.76%	340,996	-
Hidroelectrica SA	19.94%	3,101,292,356	3,340,402,960
Nuclearelectrica SA	9.72%	967,926,936	507,047,010
Petrotel - Lukoil SA	1.78%	2,787,316	-
Plafar SA	48.99%	3,160,329	-
Posta Romana SA	25.00%	84,664,380	139,601,479
Romgaz SA	14.99%	416,301,444	1,220,241,044
Salubriserv SA	17.48%	207,601	7,580,400
Simtex SA	30.00%	3,059,858	-
Societatea Nationala a SARII SA	48.99%	76,347,715	86,791,391
Uzina Mecanica Bucuresti SA	36.60%	20,024,890	-
World Trade Center Bucuresti SA	19.90%	42,459	-
World Trade Hotel SA	19.90%	17,912	16,305
Zirom SA	100.00%	36,030,702	57,809,768
Total Unlisted companies		6,680,348,420	9,150,586,033
Total		14,014,664,175	13,972,556,673

The market values for the financial assets presented above are the values as per the 31 December 2011 NAV report. They are determined according to regulations currently applying to Fondul Proprietatea (CNVM Regulation no. 4/2010, modified by Disposal of Measures no. 17/25.11.2010), as follows:

- for listed shares traded in the last 30 days: last closing price in 2011;
- for unlisted shares or listed shares not traded in the last 30 days: either shareholders' equity value per latest financial statements (proportionally with the stake held) or by using valuation methods in accordance with International Valuation Standards (fair value principles);
- any holding going through an insolvency or liquidation procedure is valued at zero until the procedure is finalized.

12. CASH AND BANK ACCOUNTS

	1 January 011	31 December 2011
Term deposits with banks in RON	1,037,672,498	280,800,000
Overnight deposits with banks in RON	27,093,028	14,680,227
Overnight deposits with banks in foreign currency	-	117
Subtotal deposits	1,064,765,526	295,480,344
Current accounts with banks in RON	66,640	14,073
Current accounts with banks in RON – payment of dividends	7,124,982	1,864,920
Current accounts with banks in foreign currency	15,830	33,680
Cash in hand	413	135
Subtotal current accounts and cash	7,207,865	1,912,808
Total	1,071,973,391	297,393,152

A breakdown of deposits with banks, by counterparty, is presented below:

Bank	1 January 2011	31 December 2011
Banca Comerciala Romana (BCR)	288,003,438	83,000,000
Unicredit Tiriac Bank	184,000,000	71,000,000
BRD – Groupe Societe Generale (BRD)	213,229,352	68,530,032
RBS Bank	-	50,000,000
Raiffeisen Bank	118,308,000	10,000,000
CITI bank	-	8,000,000
ING Bank	-	4,950,312
Marfin Bank	163,178,499	-
Bancpost	98,046,237	-
TOTAL	1,064,765,526	295,480,344

Description		Deposit amount		Interest as at 31 December 2011		Weight in total Deposit amount	Date	
Bank	Acc	Due date < 60 days	Due date > 60 days	%	Amount		Start date	Maturity date
Term Deposits								
Banca Comerciala Romana	5121	20,000,000	-	6.15%	68,333	6.77%	12-Dec-11	04-Jan-12
Banca Comerciala Romana	5121	13,000,000	-	6.20%	76,122	4.40%	28-Nov-11	04-Jan-12
Banca Comerciala Romana	5121	25,000,000	-	6.20%	129,167	8.46%	02-Dec-11	12-Jan-12
Banca Comerciala Romana	5121	20,000,000	-	6.07%	60,700	6.77%	14-Dec-11	18-Jan-12
Banca Comerciala Romana	5121	5,000,000	-	6.25%	17,361	1.69%	12-Dec-11	24-Jan-12
BRD Groupe Societe Generale	5121	10,000,000	-	5.50%	13,750	3.38%	23-Dec-11	05-Jan-12
BRD Groupe Societe Generale	5121	21,000,000	-	6.10%	96,075	7.11%	05-Dec-11	05-Jan-12
BRD Groupe Societe Generale	5121	14,000,000	-	5.90%	57,361	4.74%	07-Dec-11	10-Jan-12
BRD Groupe Societe Generale	5121	13,800,000	-	6.15%	42,435	4.67%	14-Dec-11	24-Jan-12
Citi Bank Romania	5121	8,000,000	-	5.25%	10,500	2.71%	23-Dec-11	05-Jan-12
Raiffeisen Bank	5121	10,000,000	-	5.50%	30,556	3.38%	12-Dec-11	04-Jan-12
RBS Bank Romania	5121	20,000,000	-	6.00%	66,667	6.77%	12-Dec-11	10-Jan-12
RBS Bank Romania	5121	17,000,000	-	6.25%	5,903	5.75%	30-Dec-11	01-Feb-12
RBS Bank Romania	5121	13,000,000	-	6.50%	9,389	4.40%	28-Dec-11	08-Feb-12
Unicredit Tiriac Bank	5121	20,000,000	-	6.50%	122,778	6.77%	28-Nov-11	06-Jan-12

This is a translation from the official Romanian version.

12. CASH AND BANK ACCOUNTS (continued)

Description		Deposit amount		Interest as at 31 December 2011		Weigh in total deposit amount	Date	
				%	Amount		Start date	Maturity date
Bank	Acc	Due date < 60 days	Due date > 60 days					
Unicredit Tiriac Bank	5121	10,000,000	-	6.75%	24,375	3.38%	19-Dec-11	16-Jan-12
Unicredit Tiriac Bank	5121	16,000,000	-	6.70%	11,911	5.41%	28-Dec-11	13-Feb-12
Unicredit Tiriac Bank	5121	10,000,000	-	7.00%	25,278	3.38%	19-Dec-11	13-Feb-12
Unicredit Tiriac Bank	5121	15,000,000	-	6.25%	5,208	5.08%	30-Dec-11	16-Jan-12
Total Term Deposits		280,800,000	-		873,869	95.03%		
Overnight Deposits								
ING Bank NV Sucursala Bucuresti	5121	4,950,195	-	1.00%	275	1.68%	30-Dec-11	04-Jan-12
BRD Groupe Societe Generale	5121	9,730,032	-	4.28%	2,313	3.29%	30-Dec-11	04-Jan-12
ING Bank NV Sucursala Bucuresti	5124	117	-	0.20%	-	0.00%	30-Dec-11	04-Jan-12
Total Overnight Deposits		14,680,344	-		2,588	4.97%		
Total Deposits		295,480,344	-		876,457	100.00%		

All deposits with banks as at 31 December 2011 had original maturities less than 3 months.

Included in deposits with banks as at 1 January 2011 there was an amount of RON 378,486,499 representing deposits whose original maturities were more than 3 months and therefore were not included in cash and cash equivalents presented in Cash Flow Statement.

13. SHORT TERM INVESTMENTS

The short term investments comprise treasury bills with discount, with residual maturity up to 9 months as at the year end, and with face value at maturity of RON 202,620,000.

The implicit interest rates calculated (based on the yield to maturity for each issue) ranged between 5% and 7% per year.

Treasury Bills	1 January 2011	31 December 2011
Acquisition cost of treasury bills	246,272,509	193,434,136
Accrued interest receivable for treasury bills	1,748,967	2,485,537
TOTAL	248,021,476	195,919,673

Intermediary Bank		Treasury Bills		Interest at 31 December 2011		% in total amount of T-bills	Date	
		ISIN	Maturity < 60 days	Maturity > 60 days	%	Amount	Starting date	Maturity date
ING Bank NV	RO1112CTN0P7		-	23,435,300	6.60%	498,641	07-Sep-11	05-Sep-12
ING Bank NV	RO1112CTN0P7		-	24,998,329	6.73%	542,291	07-Sep-11	05-Sep-12
ING Bank NV	RO1112CTN0T9		-	20,332,809	6.46%	320,835	05-Oct-11	05-Apr-12
ING Bank NV	RO1112CTN0U7		-	19,993,691	6.83%	307,099	12-Oct-11	10-Sep-12
ING Bank NV	RO1112CTN0V5		-	24,998,331	6.82%	317,281	26-Oct-11	24-Sep-12
ING Bank NV	RO1112CTN0Y9		-	19,992,381	6.71%	145,374	23-Nov-11	22-Aug-12
ING Bank NV	RO1112CTN100		-	19,993,597	6.59%	91,557	07-Dec-11	06-Jul-12
BRD Groupe Societe Generale	RO1112CTN027		3,752,392	-	6.09%	41,261	28-Oct-11	11-Jan-12
BRD Groupe Societe Generale	RO1112CTN019		15,824,480	-	6.05%	164,882	31-Oct-11	05-Jan-12
BRD Groupe Societe Generale	RO1112CTN0B7		-	20,112,826	6.30%	56,316	16-Dec-11	04-Apr-12
TOTAL			19,576,872	173,857,264		2,485,537	100%	

This is a translation from the official Romanian version.

14. RELATED PARTIES TRANSACTIONS

The transactions with the related parties have been performed in the normal course of business of the Fund.

The Romanian State represented by the Ministry of Public Finance controlled the Fund during 2010, but during 2011 its holding fell below the control threshold.

(a) Subsidiaries

The Fund has the following subsidiaries, all of which are incorporate in Romania:

Ownership interest	2010	2011
Alcom SA Timisoara	72%	72%
Carom – Broker de Asigurare SA Bucuresti	70%	70%
Comsig SA Sighisoara	70%	70%
Delfincom SA Bucuresti	66%	66%
Prestari Servicii SA Bucuresti	71%	71%
Primcom SA Bucuresti	79%	79%
Romplumb SA Baia Mare	51%	51%
Telerom Proiect SA Bucuresti	69%	69%
Zirom SA Giurgiu	100%	100%

Dividend income

Company	2010	2011
Primcom SA Bucuresti	1,731,351	14,276,720
Delfincom SA Bucuresti	-	5,633,501
Carom – Broker de Asigurare SA Bucuresti	27,636	-
TOTAL	1,758,987	19,910,221

Dividends collected

Company	2010	2011
Primcom SA Bucuresti	1,731,351	14,276,720
Delfincom SA Bucuresti	-	5,633,501
Carom – Broker de Asigurare SA Bucuresti	27,636	177,553
TOTAL	1,758,987	20,087,774

Other income

Company	2010	2011
Carom – Broker de Asigurare SA Bucuresti	-	55,130
TOTAL	-	55,130

(b) Associates

Ownership interest	2010	2011
OMV Petrom SA	20%	20%

In 2011 the Fund recorded and received from OMV Petrom SA a dividend of RON 201,623,005.

(c) Fund Manager

During 2011, the Fund recorded the following expenses payable to Franklin Templeton Investment Management, Bucharest Branch, the Fund Manager of the Fund: investment management and administration fees RON 32,149,759 (2010: RON 18,305,781), rent expenses RON 98,569 (2010: RON 23,953) and related operating costs RON 25,364 (2010: RON 5,014).

This is a translation from the official Romanian version.

14. RELATED PARTIES TRANSACTIONS (continued)

During 2011 the Fund Manager also issued invoices for RON 1,141,266 to the Fund for expenses incurred by the Fund Manager on its behalf. These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominee approval.

As at 31 December 2011 the liability to Fund Manager related to above mentioned transactions was in amount of RON 27,401,373 (1 January 2011: 17,963,827).

15. DIVIDEND INCOME

Company	2010	2011
OMV Petrom	-	201,623,005
Romgaz SA	87,829,620	106,010,598
Hidroelectrica SA	6,501,711	52,478,623
Transgaz SA	22,975,350	50,768,117
ENEL Distributie Banat SA	-	20,161,712
Primcom SA	1,731,351	14,276,720
ENEL Distributie Dobrogea SA	-	13,529,334
Alro SA	11,166,668	13,460,900
CN Aeroporturi Bucuresti SA	6,584,070	9,932,510
GDF Suez Energy SA	-	9,600,000
Conpet SA	3,810,281	6,984,786
Delfincom SA	-	5,633,501
Raiffeisen Bank International AG	-	4,498,766
Erste Group Bank AG	-	3,338,348
BRD - Group Societe General S.A.	-	2,038,853
Aeroportul Intl' Timisoara - Traian Vuia SA	353,329	1,536,108
Transelectrica SA	494,761	1,147,845
Societatea Nationala a Sarii SA	-	754,995
CN Administratia Porturilor Dunarii Fluviale SA	368,363	564,468
CN Administratia Porturilor Dunarii Maritime SA	18,210	193,493
CN Administratia Canalelor Navigabile SA	244,827	174,677
Oil Terminal SA	37,391	172,289
Electrica Furnizare Transilvania Sud SA	-	88,801
Romaero SA	-	52,525
Complexul Energetic Rovinari SA	124,947	20,711
Ciocarlia SA	24,433	15,753
Complexul Energetic Craiova SA	114,721	7,828
IOR SA	186	88
E.ON Gaz Romania SA	24,651,074	-
E.ON Gaz Distributie SA	11,416,966	-
Complexul Energetic Rovinari SA (dividends 2005)	567,525	-
Carom - Broker Asigurare SA	27,636	-
Retizoh SA	4,443	-
Commetex SA	1,188	-
TOTAL	179,049,051	519,065,354

This is a translation from the official Romanian version.

16. FINANCIAL RISK MANAGEMENT

Given the nature of its business, the Fund is exposed to various risks, which include: market risk, credit risk, liquidity risk, operational risk and the risks related to the economic environment. The management monitors the reduction of the potential adverse effect associated with these risk factors on the financial performance of the Fund.

After its establishment in December 2005, due to the specific nature of the Fund's activities which involved clarifications on legal matters resulting from the transfers of shares from the State, rather than active trading in the portfolio shares, a passive risk management approach was adopted by the Fund, from its inception until the commencement of Fund Manager's contract on 29 September 2010. In this earlier period no formal risk policies and procedures were in place.

With effect from 29 September 2010 the Fund Manager implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

i) Market risk

The market risk includes foreign currency risk, interest rate risk and price risk.

Foreign currency risk

The Fund can make investments in financial instruments or perform transactions denominated in foreign currency. As a result, the Fund is exposed to the risk that fluctuations in exchange rates can have an adverse effect on the value of the net assets of the Fund denominated in foreign currency.

As at 31 December 2011, the main foreign currency exposure derived from the Fund's investment in shares with a carrying value of EUR 38,463,298 (RON 166,149,792 equivalent). Cash accounts and receivables denominated in foreign currency are not significant, only amounting to EUR 7,824 and EUR 399,879 respectively.

The Fund considers that its functional currency is the local currency (RON).

Interest rate risk

The majority of the financial assets of the Fund are not interest bearing. The interest bearing financial assets (deposits and treasury bills) have generally short term maturity, deposits up to 3 months and treasury bills up to 12 months. As a result, the Fund has a limited exposure to variations in interest rates.

Price risk

Price risk is the risk that the value of the securities fluctuates as a result of changes occurring on the capital market, and it is determined by factors specific to an issuer, industry, country or region or that otherwise influence the capital market overall. This is the most significant source of risk and variability in the value of the Fund.

This risk has become more material in recent years, especially from the second part of 2008, given the extremely large reductions in value of the stock exchange quotations for some of the securities in the Fund's portfolio. It has been necessary to book impairment adjustments in certain cases during recent years, and these negatively influenced shareholders' equity. During 2009, 2010 and the first part of 2011 impairment adjustments previously booked have been partially reversed due to market recoveries, but in the second part of 2011 significant impairment adjustments have been recorded for some of the listed equity investments of the Fund.

ii) Credit risk

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills and dividends receivable.

16. FINANCIAL RISK MANAGEMENT (continued)

For treasury bills held, the credit risk is assessed as low to moderate, given that their issuer is the Romanian State through the Ministry of Public Finance.

Cash held by the Fund that is not invested in portfolio companies or treasury bills may be invested in short term bank deposits. After the Fund's management was taken over by the Fund Manager, a formal policy regarding bank counterparty risks and limits was established. The Fund only establishes new deposits with financial institutions with credit ratings above investment grade (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

iii) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's equity investments include unlisted securities, which are not traded in a regulated public market and generally may be considered illiquid. As a result, the Fund may not be able to liquidate quickly some of its investments in these instruments in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the credit worthiness of any particular issuer.

The Fund's listed equity securities are listed on the Bucharest Stock Exchange or Vienna Stock Exchange. However, not all the shares listed on the Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions.

The Fund prudently manages liquidity risk by maintaining sufficient liquid assets to finance current liabilities.

iv) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations.

The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative.

v) Operating environment

The process of risk repricing during 2007 and 2008 as well as during the second part of 2011 in the international financial markets severely affected the performance of those markets, including the Romanian financial market, and fostered heightened uncertainty with regard to economic developments going forward.

The ongoing global credit and liquidity crisis has resulted in, among other things, lower level and difficult access to the capital market funding and lower liquidity levels across the Romanian banking sector.

Ongoing fears that the deterioration of financial conditions could contribute, at a later stage to a further retrenchment in confidence, prompted a coordinated effort of governments and central banks to adopt special measures aimed at countering a vicious circle of growing risk aversion and helping minimise the effects of the financial crisis and finally restoring normal market conditions. However, political and economic turmoil in the emerging markets is expected to continue, and this can impact the value of the Romanian economy, and consequently the Fund's portfolio companies and its shares.

17. CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2011 the Fund was involved in certain litigations, either as defendant or claimant. Fund discloses in the financial statements those litigations which may have significant effects on the Fund's financial position or profitability. The most important litigations were the following:

1. The Fund is involved in several litigations regarding delay penalties requested from companies which have not yet paid dividends to the Fund for the year 2005 (some of the dividends have since been paid to the Fund pursuant to the Fund winning the law suits). Such litigations are yet to be resolved. During 2011 the most common practice of the Romanian courts was to accept the Fund's claims.

The claims filed by the Fund are in compliance with the provisions of Law 31/1990 as republished and further amended and these amounts should be due and paid to the Fund. These amounts should only be recognised as revenues when their recoverability becomes highly probable (the Court rules irrevocably in Fund's favour).

2. There is currently a court litigation involving the Fund and Nuclearelectrica.

In this file the Fund has sued Nuclearelectrica and the Ministry of Economy and Commerce (now the Ministry of Economy, Trade and Business Environment) and asked the court to record the transfer in the Nuclearelectrica's shareholders register of a total of 20,077,953 shares from the Ministry portfolio to the Fund portfolio in order to update the initial stake of the Fund in Nuclearelectrica, taking into account the share capital increases that took place between 1 February 2006 and 13 November 2007. The litigation was solved at the first stage by the Bucharest Court with the Court ruling against the Fund. The Fund has appealed the decision of the Court and the Bucharest Court of Appeal ruled against the Fund. The Fund will file the second appeal asking High Court of Cassation and Justice to issue the final and irrevocable decision.

For safety reasons, given that the decision issued by the first court in this case is enforceable, the Fund has blocked a total of 340,796,918 shares, in amount of RON 340,796,918 being computed based on the valuation report issued in October 2007 by an independent evaluator (Finevex SRL Constanta) for the shares presumed to be owned by the Fund in Nuclearelectrica. The Fund considered that in fact the Ministry of Public Finance has not contributed to the share capital of the Fund with this amount. After the courts will issue an irrevocable decision regarding this case the Fund will propose the shareholders measures in order to solve the issue of unpaid share capital, if it is the case.

As at 31 December 2011 the Fund owned 9.72% of the share capital of the Nuclearelectrica, as recorded at the Trade Register Office.

3. On the role of the courts there are many litigations started by the Fund against the merger plans for creating Hidroenergetica and Electra; in many of these cases the courts have decided to suspend the merger and in two of them the courts ruled in favour of the Fund and decided to block the merger plan. The merger process and the creation of Electra and Hidroenergetica are blocked and the Romanian Government decided to renounce at this project. In October 2011, the Romanian Government repealed its previous decision regarding the reorganization of the electricity generation sector for creating Electra and Hidroenergetica and the Government approved as an alternative plan for the restructuring of the electricity generation sector, the creation of Complexul Energetic Oltenia by merging Complexul Energetic Turceni, Complexul Energetic Rovinari and Complexul Energetic Craiova with Societatea Nationala a Lignitului Oltenia.

17. CONTINGENT ASSETS AND LIABILITIES (continued)

4. Some minority shareholders of the Fund have filed claims against the Fund with the Court requesting the cancellation of certain resolutions of the General Shareholders Meeting.

Other contingencies of the Fund included:

1. The Fund shall receive the following amounts from the Romanian State:
 - a the amount resulted from the trading on the Romanian or foreign stock exchange markets of the first 3% of Romtelecom SA shares;
 - b 20% of the amounts resulting from the privatization of Romtelecom SA;
 - c 9.9% of the amounts resulting from the privatisation of C.E.C. SA;

These amounts should be recorded as payments for the unpaid capital or as increases of the share capital by the Romanian state once they are collected, with the approval of shareholders, according to the legislation in force.

- 2 The receivables from World Trade Center Bucharest SA:

Section II, Article 4 of GEO. 81/2007 stipulates the transfer from AVAS to the Fund of receivables from World Trade Center Bucharest SA amounting to USD 68,814,198 (including the original principal and related interest and penalties) on 29 June 2007.

On 1 October 2007 a reception minute was concluded between AVAS and the Fund based on which all documents related to the receivables due from World Trade Center Bucharest SA were transferred to the Fund.

On 4 October 2007, the Fund notified World Trade Center Bucharest SA regarding the cession of the receivables. Meanwhile, the transfer was registered with the Electronic Archive for Pledges.

Currently, World Trade Center Bucharest SA is the object of insolvency procedure, the next hearing being set for 28 March 2012.

In 2008, World Trade Center Bucharest SA paid USD 200,000 to the Fund, in 2009 USD 200,000 and in 2010 USD 110,130.69, EUR 148,700.76, RON 8,724,887.92. No such payments have been made to the Fund during 2011. In accordance with GEO 81/2007, these cash receipts reduced the balance of the receivables in respect of equity contributions.

Given the uncertainties regarding their recoverability, the World Trade Center Bucharest SA receivables were recognised on receipt basis in the Fund's financial statements.

18. SUBSEQUENT EVENTS**Voting rights restriction cancellation**

On 23 November 2011 the Extraordinary General Shareholders Meeting approved a number of amendments to the Constitutive Act, one of the most important being the cancellation of the restriction of voting rights. The new Constitutive Act with the restriction rights cancelled was approved by CNVM on 12 January 2012.

Since 13 January 2012, when the new Constitutive Act became effective, the restrictions of the voting rights related to the number of shares owned by the Fund's shareholders were eliminated and the principle of one paid share is equal to one voting right is now applied.

A new permanent legal representative of the Fund

On 23 November 2011 the Extraordinary General Shareholders Meeting approved Oana Valentina Truța as the third permanent legal representative of the Fund. The other two permanent legal representatives are Grzegorz Maciej Konieczny and Adrian Cighi, appointed by shareholders on September 2010.

The appointment is effective beginning with 19 January 2012, the date of the registration with the Trade Register.

This is a translation from the official Romanian version.

18. SUBSEQUENT EVENTS (continued)**The addendum to the Investment Management Agreement**

On 23 November 2011 the Ordinary General Shareholders Meeting approved the Addendum to the Investment Management Agreement. The change refers to the payment of Fund Manager's fees on a quarterly basis, starting 1 January 2012 (previously the fees were paid annually). The calculation of the fees are based on the number shares in issue multiplied by the average market price of the Fund's shares calculated for the respective quarter.

The change of the paid-up capital of the Fund

Since 2 February 2012, the paid-up capital of the Fund increased by RON 4,985,760 to RON 13,412,554,856, while its subscribed capital remained unchanged at RON 13,778,392,208. The increase in the paid-up capital reflects a reduction in the unpaid share capital held by the Romanian state due to the receipt by the Fund of 498,576 shares in Hidroelectrica following a share increase by that company relating to the value of land for which Hidroelectrica obtained title deeds.

S.C. FONDUL PROPRIETATEA S.A.
INFORMATIVE DATA
FOR THE YEAR ENDED 31 DECEMBER 2011
FORM 30

(all amounts are expressed in RON, unless otherwise specified)

Informative Data

I. Data regarding the financial result	No Row	No of units 1	Amounts (RON) 2
Units that incurred profit	01	1	543,825,216
Units that incurred losses	02	-	-

II. Data regarding the overdue payments	No row	Total Col.2+3	Of which:	
			For the current activity	For the investment activity
A	B	1	2	3
Overdue Liabilities-total (row 04+08+14 to 18+22), of which:	03	78,280	78,280	-
Overdue Suppliers – total (row 05 to 07), of which:	04	78,280	78,280	-
- over 30 days	05	66,520	66,520	-
- over 90 days	06	-	-	-
- over 1 year	07	11,760	11,760	-

III. Average number of employees	No row	31.12.2010	31.12.2011
A	B	1	2
Average number of employees	23	12	1

IV. Payments of interest, dividends and royalties	No row	Amounts
A	B	1
Gross dividends income paid by Romanian juridical persons to non-residents, of which:	32	143,032,177
- taxes owed to the state budget	33	19,306,772

V. Lunch vouchers	No row	Amounts
A	B	1
Total value of the lunch vouchers given to the employees	38	484

VIII. Other information	No row	31.12.2010	31.12.2011
A		1	2
Financial assets, gross values (row 47 + 56), of which:	46	13,268,167,034	14,014,664,175
Shares held in subsidiaries, investments in associates, other non-current investments and bonds, gross values (row 48 to 55), of which::	47	13,268,167,034	14,014,664,175
- listed shares issued by residents	48	6,566,118,680	6,946,676,557
- unlisted shares issued by residents	49	6,702,048,354	6,680,348,420
- shares and social parts issued by non-residents	54		387,639,198
Trade receivables, advances to suppliers and other similar accounts, gross values (account 4092 + 411 + 413 + 418), of which:	59	2,690	2,797
- external trade receivables, advances to foreign suppliers and other similar accounts, gross values (from account 4092 + from account 411 + from account 413 + from account 418)	60	-	-
Receivables from social security and state budget (account 431 + 437 + 4382 + 441 + 4424 + 4428 + 444 + 445 + 446 + 447 + 4482), (row 63 to 67), of which:	62	973,175	330,217
- receivables from social securities (account 431 + 437 + 4382)	63	38,305	38,305
- fiscal receivables from state budget (account 441 + 4424 + 4428 + 444 + 446)	64	934,870	291,912
Other receivables (account 452 + 456 + 4582 + 461 + 471 + 473), (row 70 to 71) of which:	69	33,881,990	65,353,717
- settlements from equity investments, settlements with shareholders related to share capital, settlement related to joint ventures (from account 452 + 456 + 4582)	70	-	10,001,304
- other receivables from individuals and legal entities, other than receivables from public institutions, (from account 461 + from account 471 + from account 473)	71	33,881,990	55,352,413
Interests Receivables (account 5187), of which	72	6,498,199	876,457
- from non-residents	73	-	-
Short term investments, in gross amounts (account 501 + 503 + 505 + 506 + 507 + from the account 508) (row 75 to 83), of which:	74	248,021,476	195,919,673
- treasury bonds issued by residents	78	248,021,476	195,919,673
Petty cash in RON and currency (row 86 + 87), of which:	85	413	135
- in RON (account 5311)	86	413	135
Bank accounts, in RON and currency (row 89 + 90), of which:	88	1,071,972,978	297,393,017
- in RON (account 5121)	89	1,071,957,148	297,359,220
- in currency (account 5124)	90	15,830	33,797
Liabilities (row 95 + 98 + 101 + 104 + 107 + 110 + 113 + 116 + 119 + 122 + 125 + 126 + 129 + 131 + 132 + 137 + 138 + 139 + 144), of which:	94	69,287,395	42,206,773

This is a translation from the official Romanian version.

VIII. Other information (continued)	No row	31.12.2010	31.12.2011
Trade payables, advances from clients and other similar accounts, gross values (account 401 + 403 + 404 + 405 + 408 + 419), of which:	129	25,529,058	27,590,485
- external trade payables, advances from foreign clients and other similar accounts, gross values (from account 401 + from account 403 + from account 404 + from account 405 + from account 408 + from account 419)	130	-	-
Liabilities to employees and similar accounts (account 421 + 423 + 424 + 426 + 427 + 4281)	131	44,739	-
Liabilities to social security and state budget (account 431 + 437 + 4381 + 441 + 4423 + 4428 + 444 + 446 + 447 + 4481), row 133 to 136), of which:	132	9,154,876	2,377,794
- liabilities to social securities (account 431 + 437 + 4381)	133	19,859	18,968
- fiscal liabilities to state budget (account 441 + 4423+ 4428 + 444 + 446)	134	9,135,017	2,358,826
Other liabilities (account 452 + 456 +457 + 4581+ 462 + 472 + 473 + 269 + 509), (row 140 to 143)	139	34,558,722	12,238,494
- settlements from equity investments, settlements with shareholders related to share capital, settlement related to joint ventures (from account 452 + 456 + 457 + 4581)	140	34,552,223	12,238,494
- other liabilities from individuals and juridical persons, other than liabilities to public institutions, (from account 462 + from account 472 + from account 473)	141	6,499	-
Subscribed paid in share capital (account 1012) (row 146 to 149), of which:	145	13,778,392,208	13,407,569,096
- listed shares	146	-	13,407,569,096
- unlisted shares	147	13,778,392,208	-
Brevets and licences (from account 205)	150	5,139	5,139

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch
acting in the capacity of Sole Director of S.C. Fondul Proprietatea S.A.

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

S.C. FONDUL PROPRIETATEA S.A.
STATEMENT OF NON-CURRENT ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2011
FORM 40

(all amounts are expressed in RON, unless otherwise specified)

Statement of Non-Current Assets

Elements of non-current assets	No of row	Gross Values				Final Balance (col. 5=1+2-3)
		Initial Balance	Increase	Total	Decrease Of which: Dismantling and scrapped	
A	B	1	2	3	4	5
Intangibles Assets						
Other assets -software	02	5,139	-	-	-	5,139
Total (row 01 to 03)	04	5,139	-	-	-	5,139
Tangible assets						
Machinery and equipment	07	6,608	-	-	-	6,608
Total (row 05 to 09)	10	6,608	-	-	-	6,608
Financial assets	11	13,268,167,034	772,509,257	26,012,116	-	14,014,664,175
Total non-current assets (row 04 + 10 + 11)	12	13,268,178,781	772,509,257	26,012,116	-	14,014,675,922

Statement of Amortization and Depreciation of Non-Current Assets

Elements of non-current assets	No of row	Initial balance	Amortization during the year	Amortization of the assets removed from the records	Amortization at the end of the year (col. 9 = 6+7-8)
A	B	6	7	8	9
Intangibles Assets					
Other assets - software	14	5,139	-	-	5,139
Total amortizations of intangible assets (row 13+14)	15	5,139	-	-	5,139
Tangibles Assets					
Machinery and equipment	18	6,608	-	-	6,608
Total depreciation of tangible assets (row 16 to 19)	20	6,608	-	-	6,608
Total amortization and depreciation (row 15+20)	21	11,747	-	-	11,747

Statement of Adjustments for Impairment

Elements of non-current assets	No of row	Initial balance	Adjustments for impairment during the year	Reversal of adjustments for impairment	Final Balance (col. 13=10+11-12)
A	B	10	11	12	13
Financial Assets	32	2,377,644,103	2,284,540,061	1,275,398,069	3,386,786,095
Total impairment adjustments (row 25+31+32)	33	2,377,644,103	2,284,540,061	1,275,398,069	3,386,786,095

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Mihaela Moleavin
Financial Reporting Manager

Annex 2

STATEMENT OF ASSETS AND OBLIGATIONS AS AT 31 DECEMBER 2011 PREPARED IN ACCORDANCE WITH CNVM REGULATION No. 4/2010 (ANNEX NO. 4)

Item	31 December 2010					31 December 2011					Differences	
	% of the net asset	% of the total asset	Currency	Lei	% of the net asset	% of the total asset	Currency	Lei			Lei	
I. Total assets	100.5461%	100.0000%		15,411,879,343.18	100.3899%	100.0000%	-	14,521,783,892.18			(890,095,451.00)	
1 Securities and money market instruments, out of which:	32.1909%	32.0161%	-	4,934,276,388.53	33.3346%	33.2051%	-	4,821,970,639.06			(112,305,749.47)	
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	32.1909%	32.0161%	-	4,934,276,388.53	32.1860%	32.0609%	-	4,655,820,846.69			(278,455,541.84)	
1.1.1 listed shares traded in the last 30 days	31.9900%	31.8162%	-	4,903,476,207.29	32.0562%	31.9317%	-	4,637,045,277.22			(266,430,930.07)	
1.1.2 listed shares not traded in the last 30 days	0.2009%	0.1998%	-	30,800,181.24	0.1298%	0.1293%	-	18,775,569.47			(12,024,611.77)	
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	-	-	-	-	1.1486%	1.1441%	EUR 38,463,298.34	166,149,792.37			166,149,792.37	
1.2.1 listed shares traded in the last 30 days	-	-	-	-	1.1486%	1.1441%	EUR 38,463,298.34	166,149,792.37			166,149,792.37	
1.2.2 listed shares not traded in the last 30 days	-	-	-	-	-	-	-	-			-	
securities and money market instruments admitted at the official rate of a stock exchange from a state not a member or negotiates on another regulated market from a state not a member, that operates on a regular basis and is recognized and opened to the public, approved by the National Commission of Securities (C.N.V.M.)	-	-	-	-	-	-	-	-			-	
2 New issued securities	-	-	-	-	-	-	-	-			-	
3 Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	59.6615%	59.3374%	-	9,145,014,928.04	63.2585%	63.0128%	-	9,150,586,029.52			5,571,101.48	
- shares not admitted at trading	59.6615%	59.3374%	-	9,145,014,928.04	63.2585%	63.0128%	-	9,150,586,029.52			5,571,101.48	
4 Bank deposits, out of which:	6.9889%	6.9509%	-	1,071,263,725.89	2.0487%	2.0408%	-	296,356,800.71			(774,906,925.18)	
4.1. bank deposits made with credit institutions from Romania	6.9889%	6.9509%	-	1,071,263,725.89	2.0487%	2.0408%	-	296,356,800.71			(774,906,925.18)	
4.2. bank deposits made with credit institutions from an EU state	-	-	-	-	-	-	-	-			-	
4.3. bank deposits made with credit institutions from an non-EU state	-	-	-	-	-	-	-	-			-	
5 Derivatives financial instruments traded on a regulated market	-	-	-	-	-	-	-	-			-	
6 Current accounts and petty cash out of which:	0.0470%	0.0468%	-	7,207,864.71	0.0132%	0.0132%	-	1,912,807.55			(5,295,057.16)	
- in lei	0.0469%	0.0467%	-	7,192,034.23	0.0130%	0.0129%	-	1,879,010.52			(5,313,023.71)	
- in euro	0.0001%	0.0001%	EUR 3,294.97	14,118.29	0.0002%	0.0002%	EUR 7,823.93	33,797.03			19,678.74	
- in USD	0.0000%	0.0000%	USD 286.73	901.97	0.0000%	0.0000%	-	-			(901.97)	
- in GBP	0.0000%	0.0000%	GBP 163.11	810.22	0.0000%	0.0000%	-	-			(810.22)	
Money market instruments, others than those traded on a regulated market, according to art. 101 par. (1) letter g) of Law no. 297/2004 regarding the capital market, with subsequent additions and amendments, out of which:	1.6181%	1.6093%	-	248,021,474.90	1.3544%	1.3491%	-	195,919,672.51			(52,101,802.39)	
- Treasury bills with original maturities of less than 1 year	1.6181%	1.6093%	-	248,021,474.90	1.3544%	1.3491%	-	195,919,672.51			(52,101,802.39)	
8 Participation titles of UCITS and/or of OCII (A.O.P.C./ O.P.C.V.M.)	-	-	-	-	-	-	-	-			-	
9 Other assets out of which:	0.0398%	0.0395%	-	6,094,961.11	0.3805%	0.3790%	-	55,037,942.83			48,942,981.72	
- net dividend receivable from Romanian companies	0.0265%	0.0264%	-	4,069,236.53	0.3628%	0.3614%	-	52,479,297.52			48,410,060.99	
- dividend withholding tax to be recovered from Austrian Tax Authorities	-	-	-	-	0.0119%	0.0119%	EUR 399,879.07	1,727,357.62			1,727,357.62	
- tax on profit to be recovered from the State Budget	0.0069%	0.0069%	-	1,058,958.07	0.0020%	0.0020%	-	291,912.00			(767,046.07)	
- receivables from penalties levied for late payment of dividends	0.0053%	0.0053%	-	811,131.45	0.0033%	0.0032%	-	470,403.53			(340,727.92)	
- other debts	0.0008%	0.0008%	-	124,631.06	0.0003%	0.0003%	-	40,559.85			(84,071.21)	
- prepaid expenses	0.0002%	0.0002%	-	31,004.00	0.0002%	0.0002%	-	28,412.31			(2,591.69)	
II. Total liabilities	0.5461%	0.5432%		83,711,494.60	0.4706%	0.4684%		56,404,599.90			(27,306,894.70)	
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1171%	0.1165%	-	17,954,157.30	0.1375%	0.1369%	-	27,179,316.02			9,225,158.72	
2 Liabilities related to the fees payable to the depositary bank	0.0009%	0.0009%	-	132,097.98	0.0009%	0.0009%	-	126,531.42			(5,566.56)	
3 Liabilities related to the fees payable to intermediaries	-	-	-	-	-	-	-	-			-	
4 Liabilities related to commissions and other bank services	-	-	-	-	-	-	-	-			-	
5 Interest payable	-	-	-	-	-	-	-	-			-	
6 Issuance expense	-	-	-	-	-	-	-	-			-	
7 Liabilities in relation with the fees/commissions to C.N.V.M.	0.0083%	0.0082%	-	1,268,222.00	0.0083%	0.0083%	-	1,200,075.00			(68,147.00)	
8 Audit fees	-	-	-	-	-	-	-	-			-	
9 Other Liabilities, out of which:	0.4199%	0.4176%	-	64,357,017.32	0.1929%	0.1921%	-	27,898,677.46			(36,458,339.86)	
- payable dividends	0.1619%	0.1611%	-	24,821,842.40	0.0846%	0.0843%	-	12,238,494.26			(12,583,348.14)	
- tax on dividends	0.0513%	0.0510%	-	7,859,711.00	0.0078%	0.0078%	-	1,134,221.99			(6,725,489.01)	
- advisory fee payable for the selection of the Fund administrator	0.0483%	0.0480%	EUR 1,727,501.53	7,401,998.56	0.0000%	0.0000%	-	0.00			(7,401,998.56)	
- payables in respect of equity contributions	0.0635%	0.0631%	-	9,730,381.35	0.0000%	0.0000%	-	0.00			(9,730,381.35)	
- salaries and related contributions	0.0005%	0.0005%	-	71,679.00	0.0002%	0.0002%	-	25,018.00			(46,661.00)	
- provisions for risks and expenses	0.0941%	0.0936%	-	14,424,098.40	0.0982%	0.0978%	-	14,197,829.40			(226,269.00)	
- other liabilities	0.0003%	0.0003%	-	47,306.61	0.0021%	0.0021%	-	303,113.81			255,807.20	
III. Net Asset Value (I - II)	100.0000%	99.4568%		15,328,167,848.58	100.0000%	99.6116%		14,465,379,292.28			(862,788,556.30)	

Unitary Net Asset Value

Item	31 December 2011	31 December 2010	Differences
Net Asset Value	14,465,379,292.28	15,328,167,848.58	(862,788,556.30)
Number of outstanding shares	13,407,569,096	13,778,392,208	(370,823,112)
Unitary net asset value	1.0788	1.1124	(0.0336)

DETAILED STATEMENT OF INVESTMENTS AS AT 31 DECEMBER 2011

Securities admitted or traded on a regulated market in Romania, out of which:

1.1 listed shares traded in the last 30 days

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alro Slatina SA	ALR	29/Dec/2011	72,884,714	0.5	3.2500	236,875,320.50	10.2100%	1.6312%	1.6375%	Closing price
Azomures SA	AZO	30/Dec/2011	58,530,066	0.1	1.3500	79,015,589.10	11.1200%	0.5441%	0.5462%	Closing price
Conpet SA	COTE	30/Dec/2011	2,571,461	3.3	34.9800	89,949,705.78	29.7000%	0.6194%	0.6218%	Closing price
IOR SA	IORB	20/Dec/2011	2,622,273	0.1	0.5600	1,468,472.88	2.8100%	0.0101%	0.0102%	Closing price
Mecanoenergetica SA	MEGU	29/Dec/2011	1,620,975	0.3	0.1150	186,412.13	10.0700%	0.0013%	0.0013%	Closing price
Oil Terminal SA	OIL	30/Dec/2011	49,216,526	0.1	0.1800	8,858,974.68	8.4500%	0.0610%	0.0612%	Closing price
Romaero SA	RORX	30/Dec/2011	1,311,691	2.5	10.5500	13,838,340.05	20.9900%	0.0953%	0.0957%	Closing price
OMV Petrom SA	SNP	30/Dec/2011	11,391,130,186	0.1	0.2900	3,303,427,753.94	20.1000%	22.7481%	22.8368%	Closing price
Palace SA	PACY	19/Dec/2011	5,832,482	0.1	0.2900	1,691,419.78	15.4200%	0.0116%	0.0117%	Closing price
Transselectrica SA	TEL	30/Dec/2011	9,895,212	10	17.4000	172,176,688.80	13.4900%	1.1856%	1.1903%	Closing price
Transgaz SA	TGN	30/Dec/2011	1,764,620	10	223.3500	394,127,877.00	14.9800%	2.7140%	2.7246%	Closing price
Primcom SA	PRIB	29/Dec/2011	1,154,234	2.5	15.2000	17,544,356.80	78.9700%	0.1208%	0.1213%	Closing price
BRD-Groupe Societe Generale SA	BRD	30/Dec/2011	25,387,456	1	10.7100	271,899,653.76	3.6400%	1.8724%	1.8797%	Closing price
Banca Transilvania SA	TLV	30/Dec/2011	52,018,905	1	0.8840	45,984,712.02	2.9300%	0.3167%	0.3179%	Closing price
Total						4,637,045,277.22		31.9317%	32.0562%	

1.2 listed shares but not traded in the last 30 days

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alcom SA	ALCQ	16/Aug/2011	89,249	2.5	31.0000	2,766,719.00	71.8900%	0.0191%	0.0191%	Fair value/share: Last trading price
Comcereal Cluj SA	COCL	6/Aug/2010	256,116	2.5	4.1212	1,055,505.26	11.3600%	0.0073%	0.0073%	Shareholder equity/share
Comcereal Fundulea SA	CCFD	24/Nov/2011	59,604	2.5	2.7593	164,465.32	5.3500%	0.0011%	0.0011%	Shareholder equity/share
Delfincom SA	DELF	25/Nov/2011	645,647	2.5	6.0000	3,873,882.00	65.5000%	0.0267%	0.0268%	Fair value/share: Last trading price
Forsev SA	FORS	26/Nov/2009	954,376	2.5	7.1407	6,814,912.70	28.1400%	0.0469%	0.0471%	Shareholder equity/share
Mecon SA	MECP	10/Oct/2011	60,054	11.6	10.0000	600,540.00	12.5100%	0.0041%	0.0042%	Fair value/share: Last trading price
Prestari Servicii SA	PRVD	14/Nov/2011	200,170	2.5	0.0000	0.00	70.5500%	0.0000%	0.0000%	Priced at zero (negative equity)
Resib SA	RESI	3/Jun/2004	894,600	0.10	0.0000	0.00	2.8700%	0.0000%	0.0000%	Priced at zero (negative equity)
Romplumb SA	ROMR	5/Oct/2001	1,595,520	2.5	0.0000	0.00	51.0000%	0.0000%	0.0000%	Fair value/share: NIL
Severnav SA	SEVE	22/Nov/2011	1,971,566	2.5	1.0500	2,070,144.30	39.1000%	0.0143%	0.0143%	Fair value/share: Last trading price
Telerom Proiect INPPT SA	TEBV	11/Oct/2011	673,862	0.11	0.0738	49,731.02	68.6300%	0.0003%	0.0003%	Shareholder equity/share
Transilvania-Com SA	TRVC	15/Aug/2007	77,234	2.5	16.5034	1,274,623.60	39.9900%	0.0088%	0.0088%	Shareholder equity/share
Turdapan SA	TUSB	29/Dec/2010	155,855	2.5	0.6740	105,046.27	44.0600%	0.0007%	0.0007%	Shareholder equity/share
Total						18,775,569.47		0.1293%	0.1298%	

Securities admitted or traded on a regulated market from a member state:

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value *	Share value	Total value in Euro	Total value in LEI	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
ERSTE GROUP Bank AG	EBS	30/Dec/2011	1,227,870	EUR 31.4060	EUR 13.5850	16,680,613.95	72,055,218.00	0.3200%	0.4962%	0.4981%	Closing price
RAIFFEISEN Bank International AG	RBI	30/Dec/2011	1,085,606	EUR 47.7740	EUR 20.0650	21,782,684.39	94,094,574.37	0.5500%	0.6480%	0.6505%	Closing price
Total						38,463,298.34	166,149,792.37		1.1441%	1.1486%	

* = shareholders equity / share as at 31 December 2011

Instruments mentioned at art. 187 letter a) of the Regulation no.15/2004 (unlisted shares)

Issuer	No. of shares held	Date of acquisition *	Acquisition price (total price of acquisition of shares)	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Company status	Evaluation method
Aeroportul International Mihail Kogalniceanu - Constanta SA	23,159	19/Jul/2005	1,490,898	107.7014	2,494,256.72	20.0000%	0.0172%	0.0172%	Unlisted companies, in function	Shareholder equity/share
Aeroportul International Timisoara - Traian Vuia SA	32,016	19/Jul/2005	2,652,588	244.1807	7,817,689.29	20.0000%	0.0538%	0.0540%	Unlisted companies, in function	Shareholder equity/share
Carom - Broker Asigurare SA	17,500	19/Jul/2005	1,161,986	59.4394	1,040,189.50	70.0000%	0.0072%	0.0072%	Unlisted companies, in function	Shareholder equity/share
Celuloza si Otel SA (former Remat Timis)	3,814	19/Jul/2005	230,675	229.2837	874,488.03	8.6200%	0.0060%	0.0060%	Unlisted companies, in function	Shareholder equity/share
Cetatea SA	354,468	19/Jul/2005	118,840	1.2092	428,622.71	20.4300%	0.0030%	0.0030%	Unlisted companies, in function	Shareholder equity/share
Ciocalia SA	5,298	19/Jul/2005	37,125	79.6012	421,727.16	1.6800%	0.0029%	0.0029%	Unlisted companies, in function	Shareholder equity/share
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	144.5292	3,982,357.58	20.0000%	0.0274%	0.0275%	Unlisted companies, in function	Shareholder equity/share
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	77.1863	15,681,168.71	20.0000%	0.1080%	0.1084%	Unlisted companies, in function	Shareholder equity/share
CN Administratia Porturilor Dunarii Maritime SA	21,237	19/Jul/2005	1,351,671	97.8493	2,078,025.58	20.0000%	0.0143%	0.0144%	Unlisted companies, in function	Shareholder equity/share
CN Administratia Porturilor Maritime SA	1,369,125	19/Jul/2005	52,621,414	45.1186	61,773,003.23	19.9900%	0.4254%	0.4270%	Unlisted companies, in function	Shareholder equity/share
CN Aeroporturi Bucuresti SA **	2,875,443	5/Feb/2010	131,168,263	112.1258	322,411,346.73	20.0000%	2.2202%	2.2288%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Commetex SA	67,533	19/Jul/2005	193,500	3.2000	216,105.60	15.9900%	0.0015%	0.0015%	Unlisted companies, in function	Fair value / share (Selling price)
Complexul Energetic Craiova SA	6,301,669	19/Jul/2005	250,169,153	42.3386	266,803,843.12	24.3500%	1.8373%	1.8444%	Unlisted companies, in function	Shareholder equity/share
Complexul Energetic Rovinari SA	5,525,167	19/Jul/2005	137,615,732	52.5279	290,225,419.66	23.6000%	1.9986%	2.0063%	Unlisted companies, in function	Shareholder equity/share
Complexul Energetic Turceni SA	11,387,991	19/Jul/2005	282,299,927	45.8901	522,596,045.79	24.7800%	3.5987%	3.6127%	Unlisted companies, in function	Shareholder equity/share
Comsig SA	75,655	19/Jul/2005	132,633	2.0656	156,272.97	69.9400%	0.0011%	0.0011%	Unlisted companies, in function	Shareholder equity/share
E.ON Gaz Distributie SA	13,158,040	19/Jul/2005	37,470,244	8.7833	115,571,012.73	11.9900%	0.7958%	0.7989%	Unlisted companies, in function	Shareholder equity/share
E.ON Energie Romania SA (former E.ON Gaz Romania SA)	9,903,524	19/Jul/2005	45,765,358	9.5236	94,317,201.17	13.3900%	0.6495%	0.6520%	Unlisted companies, in function	Shareholder equity/share
E.ON Moldova Distributie SA	10,994,457	19/Jul/2005	131,073,011	20.0797	220,765,398.22	22.0000%	1.5202%	1.5262%	Unlisted companies, in function	Shareholder equity/share
Electrica Distributie Muntenia Nord SA	7,796,022	19/Jul/2005	165,221,141	30.5416	238,102,985.52	21.9900%	1.6396%	1.6460%	Unlisted companies, in function	Shareholder equity/share
Electrica Distributie Transilvania Nord SA	8,167,813	19/Jul/2005	113,299,904	20.9177	170,851,861.99	22.0000%	1.1765%	1.1811%	Unlisted companies, in function	Shareholder equity/share
Electrica Distributie Transilvania Sud SA	9,327,282	19/Jul/2005	125,918,629	19.6783	183,545,053.38	21.9900%	1.2639%	1.2689%	Unlisted companies, in function	Shareholder equity/share
Electroconstructia Elco Cluj SA	322,530	19/Jul/2005	319,656	1.6702	538,689.61	7.6100%	0.0037%	0.0037%	Unlisted companies, in function	Shareholder equity/share
ENEL Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	34.3494	316,723,589.01	24.1200%	2.1810%	2.1895%	Unlisted companies, in function	Shareholder equity/share
ENEL Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	32.3808	218,671,654.76	24.0900%	1.5088%	1.5117%	Unlisted companies, in function	Shareholder equity/share
Enel Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	103.5620	337,238,882.55	12.0000%	2.3223%	2.3314%	Unlisted companies, in function	Shareholder equity/share
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	84.0910	37,340,944.91	12.0000%	0.2571%	0.2581%	Unlisted companies, in function	Shareholder equity/share
ENEL Energie SA	1,680,000	19/Jul/2005	26,124,808	11.7378	19,719,504.00	12.0000%	0.1358%	0.1363%	Unlisted companies, in function	Shareholder equity/share
GDF Suez Energy Romania (former Distrigaz Sud)	2,127,879	19/Jul/2005	59,982,622	159.1765	338,708,331.64	12.0000%	2.3324%	2.3415%	Unlisted companies, in function	Shareholder equity/share
Hidroelectrica SA	88,740,671	19/Jul/2005	3,101,292,356	37.6423	3,340,402,959.98	19.9400%	23.0027%	23.0924%	Unlisted companies, in function	Shareholder equity/share
Nuclearelectrica SA	24,676,222	19/Jul/2005	967,926,936	20.5480	507,047,009.66	9.7200%	3.4916%	3.5052%	Unlisted companies, in function	Adjusted shareholder equity/share
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	9.3869	139,601,479.29	25.0000%	0.9613%	0.9651%	Unlisted companies, in function	Shareholder equity/share
Romgaz SA	5,742,854	19/Jul/2005	416,301,444	212.4799	1,220,241,043.63	14.9900%	8.4028%	8.4356%	Unlisted companies, in function	Shareholder equity/share
Salubriserv SA	43,263	19/Jul/2005	207,601	175.2167	7,580,400.09	17.4800%	0.0522%	0.0524%	Unlisted companies, in function	Shareholder equity/share
Societatea Nationala a Sarii SA	2,005,884	28/Jun/2007	76,347,715	43.2684	86,791,391.27	48.9900%	0.5977%	0.6000%	Unlisted companies, in function	Shareholder equity/share
World Trade Hotel SA	17,912	19/Jul/2005	17,912	0.9103	16,305.29	19.9000%	0.0001%	0.0001%	Unlisted companies, in function	Shareholder equity/share
Zirom SA	3,624,346	28/Jun/2007	36,030,702	15.9504	57,809,768.44	100.0000%	0.3981%	0.3996%	Unlisted companies, in function	Shareholder equity/share
Electrica Furnizare SA ***	1,366,412	22/Jul/2011	17,819,672	0.0000	0.00	22.0000%	0.0000%	0.0000%	Unlisted companies, in function	Fair value/share: NIL
BAT Service SA	194,022	19/Jul/2005	656,686	0.0000	0.00	33.0000%	0.0000%	0.0000%	Dissolution	Priced at zero
Carbid Fox SA	10,191,630	19/Jul/2005	927,357	0.0000	0.00	7.9600%	0.0000%	0.0000%	Bankruptcy	Priced at zero
FECNE SA	778,442	19/Jul/2005	0	0.0000	0.00	12.1200%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Gerovital Cosmetics SA	1,350,988	19/Jul/2005	340,996	0.0000	0.00	9.7600%	0.0000%	0.0000%	Dissolution	Priced at zero
Plafar SA	132,784	28/Jun/2007	3,160,329	0.0000	0.00	48.9900%	0.0000%	0.0000%	Insolvency	Priced at zero
Petrotel - Lukoil SA	2,152,291	19/Jul/2005	2,787,316	0.0000	0.00	1.7800%	0.0000%	0.0000%	Unlisted companies, in function	Priced at zero (negative equity)
Simtex SA	132,859	28/Jun/2007	3,059,858	0.0000	0.00	30.0000%	0.0000%	0.0000%	Bankruptcy	Priced at zero
World Trade Center Bucuresti SA	198,860	19/Jul/2005	42,459	0.0000	0.00	19.9000%	0.0000%	0.0000%	Insolvency	Priced at zero
Total			6,660,323,530		9,150,586,029.52		63.0128%	63.2585%		

Legend:

* = where the date of acquisition is shown as earlier than Fondul Proprietatea's date of incorporation (28 December 2005), the date of acquisition refers to the date of publishing in the Official Gazette of Law no. 247 / 19 July 2005, which determined that these investments would be transferred to Fondul Proprietatea on its future incorporation.

** = company formed as a result of the merger between CN "Aeroportul International Henri Coanda - Bucuresti" S.A. and S.N. "Aeroportul International Bucuresti Baneasa - Aurel Vlaicu" S.A.

*** = company formed as a result of the merger between S.C. Electrica Furnizare Transilvania Nord S.A., S.C. Electrica Furnizare Transilvania Sud S.A. and S.C. Electrica Furnizare Muntenia Nord S.A.

Note: Uzina Mecanica Bucuresti SA was not included in Fondul Proprietatea's portfolio because Ministry of Public Finance actually did not transfer to the fund the holding in this company.

Bonds or other debt instruments issued or guaranteed by the state or central public administration authorities

Treasury Bills with discount

Series and number of the bond	No of bonds	Date of acquisition	Maturity date	Initial value	Daily interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Intermediary Bank	Evaluation method
RO1112CTN0P7	2,500	7/Sep/2011	5/Sep/2012	23,435,300.00	4,298.63	498,640.66	23,933,940.66	0.1648%	0.1655%	ING Bank	Acquisition price cumulated with the related interest since the acquisition date
RO1112CTN0P7	2,670	7/Sep/2011	5/Sep/2012	24,998,328.90	4,674.92	542,290.79	25,540,619.69	0.1759%	0.1766%	ING Bank	
RO1112CTN0T9	2,100	5/Oct/2011	5/Apr/2012	20,332,809.00	3,645.85	320,835.02	20,653,644.02	0.1422%	0.1428%	ING Bank	
RO1112CTN0U7	2,126	12/Oct/2011	10/Sep/2012	19,993,690.62	3,791.35	307,098.98	20,300,789.60	0.1398%	0.1403%	ING Bank	
RO1112CTN0V5	2,658	26/Oct/2011	24/Sep/2012	24,998,330.52	4,735.54	317,281.00	25,315,611.52	0.1743%	0.1750%	ING Bank	
RO1112CTN0Z7	380	28/Oct/2011	11/Jan/2012	3,752,391.55	634.78	41,260.66	3,793,652.21	0.0261%	0.0262%	BRD Groupe Societe Generale	
RO1112CTN0I9	1,600	31/Oct/2011	5/Jan/2012	15,824,480.16	2,659.39	164,882.27	15,989,362.43	0.1101%	0.1105%	BRD Groupe Societe Generale	
RO1112CTN0Y9	2,101	23/Nov/2011	22/Aug/2012	19,992,380.65	3,727.54	145,374.19	20,137,754.84	0.1387%	0.1392%	ING Bank	
RO1112CTN100	2,077	7/Dec/2011	6/Jul/2012	19,993,596.63	3,662.28	91,557.00	20,085,153.63	0.1383%	0.1388%	ING Bank	
RO1112CTN0B7	2,050	16/Dec/2011	4/Apr/2012	20,112,827.98	3,519.75	56,315.93	20,169,143.91	0.1389%	0.1394%	BRD Groupe Societe Generale	
Total							195,919,672.51	1.3491%	1.3544%		

Term deposits

Name of the bank	Starting date	Maturity date	Initial value	Daily Interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Banca Comerciala Romana	12/Dec/2011	4/Jan/2012	RON 20,000,000.00	RON 3,416.67	RON 68,333.33	RON 20,068,333.33	0.1382%	0.1387%	Term deposit value cumulated with the related interest
Banca Comerciala Romana	28/Nov/2011	4/Jan/2012	RON 13,000,000.00	RON 2,238.89	RON 76,122.22	RON 13,076,122.22	0.0900%	0.0904%	
Banca Comerciala Romana	2/Dec/2011	12/Jan/2012	RON 25,000,000.00	RON 4,305.56	RON 129,166.67	RON 25,129,166.67	0.1730%	0.1737%	
Banca Comerciala Romana	14/Dec/2011	18/Jan/2012	RON 20,000,000.00	RON 3,372.22	RON 60,700.00	RON 20,060,700.00	0.1381%	0.1387%	
Banca Comerciala Romana	12/Dec/2011	24/Jan/2012	RON 5,000,000.00	RON 868.06	RON 17,361.11	RON 5,017,361.11	0.0346%	0.0347%	
BRD Groupe Societe Generale	23/Dec/2011	5/Jan/2012	RON 10,000,000.00	RON 1,527.78	RON 13,750.00	RON 10,013,750.00	0.0690%	0.0692%	
BRD Groupe Societe Generale	5/Dec/2011	5/Jan/2012	RON 21,000,000.00	RON 3,558.33	RON 96,075.00	RON 21,096,075.00	0.1453%	0.1458%	
BRD Groupe Societe Generale	7/Dec/2011	10/Jan/2012	RON 14,000,000.00	RON 2,294.44	RON 57,361.11	RON 14,057,361.11	0.0968%	0.0972%	
BRD Groupe Societe Generale	14/Dec/2011	24/Jan/2012	RON 13,800,000.00	RON 2,357.50	RON 42,435.00	RON 13,842,435.00	0.0953%	0.0957%	
CITI Bank	23/Dec/2011	5/Jan/2012	RON 8,000,000.00	RON 1,166.67	RON 10,500.00	RON 8,010,500.00	0.0552%	0.0554%	
RAIFFEISEN Bank	12/Dec/2011	4/Jan/2012	RON 10,000,000.00	RON 1,527.78	RON 30,555.56	RON 10,030,555.56	0.0691%	0.0693%	
RBS Bank Romania	12/Dec/2011	10/Jan/2012	RON 20,000,000.00	RON 3,333.33	RON 66,666.67	RON 20,066,666.67	0.1382%	0.1387%	
RBS Bank Romania	30/Dec/2011	1/Feb/2012	RON 17,000,000.00	RON 2,951.39	RON 5,902.78	RON 17,005,902.78	0.1171%	0.1176%	
RBS Bank Romania	28/Dec/2011	8/Feb/2012	RON 13,000,000.00	RON 2,347.22	RON 9,388.89	RON 13,009,388.89	0.0896%	0.0899%	
UNICREDIT TIRIAC Bank	28/Nov/2011	6/Jan/2012	RON 20,000,000.00	RON 3,611.11	RON 122,777.78	RON 20,122,777.78	0.1386%	0.1391%	
UNICREDIT TIRIAC Bank	19/Dec/2011	16/Jan/2012	RON 10,000,000.00	RON 1,875.00	RON 24,375.00	RON 10,024,375.00	0.0690%	0.0693%	
UNICREDIT TIRIAC Bank	28/Dec/2011	13/Feb/2012	RON 16,000,000.00	RON 2,977.78	RON 11,911.11	RON 16,011,911.11	0.1103%	0.1107%	
UNICREDIT TIRIAC Bank	19/Dec/2011	13/Feb/2012	RON 10,000,000.00	RON 1,944.44	RON 25,277.78	RON 10,025,277.78	0.0690%	0.0693%	
UNICREDIT TIRIAC Bank	30/Dec/2011	16/Jan/2012	RON 15,000,000.00	RON 2,604.17	RON 5,208.33	RON 15,005,208.33	0.1033%	0.1037%	
ING Bank	30/Dec/2011	4/Jan/2012	RON 4,950,194.78	RON 137.51	RON 275.01	RON 4,950,469.79	0.0341%	0.0342%	
ING Bank	30/Dec/2011	4/Jan/2012	EUR 27.09	EUR -	EUR -	RON 117.02	0.0000%	0.0000%	
BRD Groupe Societe Generale	30/Dec/2011	4/Jan/2012	RON 9,730,031.97	RON 1,156.79	RON 2,313.59	RON 9,732,345.56	0.0670%	0.0673%	
Total						296,356,800.71	2.0408%	2.0487%	

Evolution of the net asset and the net asset unitary value in the last 3 years

	Year T-2	Year T-1 / 31 December 2010	Year T/ 31 December 2011
Net Asset	-	15,328,167,848.58	14,465,379,292.28
NAV/share	-	1.1124	1.0788

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

Grzegorz Konieczny
Legal Representative

Marius Nechifor
Compliance Officer

ING Bank N.V. Amsterdam –Bucharest Branch

Cristina Bulata
Head of Settlements and Trade Department

Mihaela Savu
Economist

Annex 3

S.C. FONDUL PROPRIETATEA S.A.

**SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2011**

Prepared in accordance with International Financial Reporting Standards

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To the shareholders of
Fondul Proprietatea S.A.
Bucharest, Romania

INDEPENDENT AUDITOR'S REPORT

Report on the separate financial statements

1. We have audited the accompanying separate financial statements of S.C. Fondul Proprietatea S.A. (the "Fund") which comprise the separate statement of financial position as of December 31, 2011, and the separate statement of comprehensive income, separate statement of changes in shareholder's equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate financial statements

- 2 Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

- 3 Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurances about the separate financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the separate financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Member of
Deloitte Touche Tohmatsu

Opinion

- 6 In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of S.C. Fondul Proprietatea S.A. as at December 31, 2011, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of matter

- 7 We draw attention to Note 2 (a) to the separate financial statements which states that consolidated financial statements of Fondul Proprietatea prepared in accordance with International Financial Reporting Standards, as adopted by European Union have not yet been published. Notes 2 to the separate financial statements explain when consolidated financial statements will be published and the method of accounting and other disclosures related to unconsolidated subsidiaries respectively. Our opinion is not modified in respect of this matter.
- 8 We draw attention to the fact that during 2011 a number of major economies around the world have experienced strong volatility in the capital markets and severe restrictions in the credit markets. As a consequence of the recent market turmoil in capital and credit markets both globally and in Romania, notwithstanding any potential economic stabilization measures that may be put into place by the State, economic uncertainties arose surrounding the continual availability and cost of credit for the Fund's counterparties, future development of the markets and demand for goods and services they produce. The potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets of the Fund may be not recovered at their carrying amount in the ordinary course of business, and a corresponding impact on the Fund's profitability cannot be estimated reliably as of the date of this report. Our opinion is not modified in respect of this matter.

Other matters

- 9 This report is made solely to the Fund's shareholders, as a body. Our audit work has been undertaken so that we might state to the Fund's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

For signature, please refer to the original Romanian binding
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Deloitte Audit S.R.L.
Bucharest, Romania
March 15, 2012

STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)

	<i>Note</i>	Year ended 31 December 2011	Year ended 31 December 2010
Gross dividend income	6	522,433,185	181,244,262
Interest income	7	41,129,291	131,466,209
Reversal of impairment losses on dividends receivable	16	28,323,677	-
Reversal of impairment losses on disposed equity investments	18	21,545,871	-
Impairment losses on receivables in respect of equity contributions	17	(10,001,304)	-
Impairment losses on equity investments	18	(51,691,805)	(29,299,487)
Impairment losses on dividends receivable		-	(18,307)
Gains on disposal of equity investments	8	8,799,778	-
Net foreign exchange gains /(losses)	9	700,842	(9,165,151)
Other operating income	10	12,187,358	1,016,631
Net operating income		573,426,893	275,244,157
Personnel expenses		(644,081)	(4,068,409)
Other operating expenses	11	(54,243,301)	(47,488,391)
Operating expenses		(54,887,382)	(51,556,800)
Profit before tax		518,539,511	223,687,357
Income tax expense	12	(472,220)	(8,676,905)
Profit for the period		518,067,291	215,010,452
Other comprehensive income / (loss)			
Net change in fair value of available-for-sale equity investments		(846,265,840)	1,299,502,268
Income tax benefit/ (expense) on other comprehensive income	12	135,402,535	(207,920,363)
Total other comprehensive income/ (loss)		(710,863,305)	1,091,581,905
Total comprehensive income /(loss) for the period		(192,796,014)	1,306,592,357
Basic and diluted earnings per share		0.04	0.02

The financial statements were authorised for issue on 14 March 2012 by:

Grzegorz Maciej Konieczny

as Legal Representative on behalf of

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch
 acting in the capacity of Sole Director of S.C. Fondul Proprietatea S.A.

The notes on pages 124 to 166 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)

	<i>Note</i>	31 December 2011	31 December 2010
Assets			
Cash and current accounts	13	1,912,808	7,207,864
Deposits with banks	14	296,356,801	1,071,263,726
Treasury bills	15	195,919,673	248,021,476
Dividends receivable	16	52,479,298	4,069,237
Equity investments	18	10,731,642,468	10,861,557,101
Deferred tax assets	19	479,029,966	338,979,156
Other assets	20	2,558,644	1,901,634
Total assets		11,759,899,658	12,533,000,194
Liabilities			
Payables in respect of equity contributions	21	-	9,730,381
Other liabilities	22	42,266,294	59,842,804
Total liabilities		42,266,294	69,573,185
Equity			
Share capital	23	13,778,392,208	13,778,392,208
Fair value reserve on available-for-sale financial assets	23	1,240,275,189	1,951,138,494
Other reserves	23	250,102,759	222,823,865
Treasury shares	23	(120,268,583)	-
Accumulated losses		(3,430,868,209)	(3,488,927,558)
Total equity		11,717,633,364	12,463,427,009
Total liabilities and equity		11,759,899,658	12,533,000,194

The notes on pages 124 to 166 are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Treasury shares	Accumulated losses	Total attributable to the equity holders of the Fund
Balance at 31 December 2009	13,757,592,587	859,556,589	199,454,493	-	(2,556,251,836)	12,260,351,833
Comprehensive income for the period						
Profit for the period	-	-	-	-	215,010,452	215,010,452
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	1,299,502,268	-	-	-	1,299,502,268
Income tax on income and expense recognised directly in equity	-	(207,920,363)	-	-	-	(207,920,363)
Total other comprehensive income	-	1,091,581,905	-	-	-	1,091,581,905
Total comprehensive income for the period	-	1,091,581,905	-	-	215,010,452	1,306,592,357
Transactions with owners, recorded directly in equity						
Transfers to other reserves	-	-	23,369,372	-	(23,369,372)	-
Increase of share capital	20,799,621					20,799,621
Dividends declared	-	-	-	-	(1,124,316,802)	(1,124,316,802)
Total transactions with owners recorded directly in equity	20,799,621	-	23,369,372	-	(1,147,686,174)	(1,103,517,181)
Balance at 31 December 2010	13,778,392,208	1,951,138,494	222,823,865	-	(3,488,927,558)	12,463,427,009

The notes on pages 124 to 166 are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Treasury shares	Accumulated losses	Total attributable to the equity holders of the Fund
Balance at 31 December 2010	13,778,392,208	1,951,138,494	222,823,865	-	(3,488,927,558)	12,463,427,009
Comprehensive income for the period						
Profit for the period	-	-	-	-	518,067,291	518,067,291
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	(846,265,840)	-	-	-	(846,265,840)
Income tax on income and expense recognised directly in equity	-	135,402,535	-	-	-	135,402,535
Total other comprehensive income	-	(710,863,305)	-	-	-	(710,863,305)
Total comprehensive income for the period	-	(710,863,305)	-	-	518,067,291	(192,796,014)
Transactions with owners, recorded directly in equity						
Transfer to other reserves			27,278,894		(27,278,894)	-
Buybacks	-	-	-	(120,268,583)	-	(120,268,583)
Dividends declared	-	-	-	-	(432,729,048)	(432,729,048)
Total transactions with owners recorded directly in equity	-	-	27,278,894	(120,268,583)	(460,007,942)	(552,997,631)
Balance at 31 December 2011	13,778,392,208	1,240,275,189	250,102,759	(120,268,583)	(3,430,868,209)	11,717,633,364

The notes on pages 124 to 166 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)

	Year ended 31 December 2011	Year ended 31 December 2010
Cash flows from operating activities		
Proceeds from sale of equity instruments	13,375,649	-
Redemption / (acquisition) of treasury bills, net	52,838,373	(246,272,509)
Interest received	46,014,449	141,310,236
Dividends received (net of withholding tax)	497,369,612	174,979,855
Realised foreign exchange losses on cash and cash equivalents	(303,030)	(9,136,993)
Collection of bank deposits maturing in more than 3 months, net	378,486,499	930,163,463
Interest received in relation with the dividends late payments	12,488,059	-
Other receipts	135,339	-
Income tax paid	(1,109,707)	(15,379,807)
Salaries and related taxes paid	(894,909)	(6,340,215)
Suppliers and other taxes and fees paid	(52,345,240)	(20,801,609)
Acquisition of equity investments	(769,842,368)	(47,335,500)
Net cash flows from operating activities	176,212,726	901,186,921
Cash flows from investing activities		
Proceeds from sale of property and equipment	-	94,727
Acquisition of property and equipment	-	(22,427)
Net cash from investing activities	-	72,300
Cash flows from financing activities		
Dividends paid (including related taxes)	(452,037,883)	(1,093,273,369)
Acquisition of treasury shares	(120,268,583)	-
Cash contributions to share capital	-	33,566,590
Other contributions of shareholders	-	9,395,641
Net cash flows used in financing activities	(572,306,466)	(1,050,311,138)
Net increase in cash and cash equivalents	(396,093,740)	(149,051,917)
Cash and cash equivalents at 1 January 2011	693,486,892	842,566,967
Effect of exchange rate fluctuations on cash and cash equivalents	-	(28,158)
Cash and cash equivalents at 31 December 2011	297,393,152	693,486,892
	31 December 2011	31 December 2010
Cash	1,912,808	7,207,864
Bank deposits with original maturities of less than three months	295,480,344	686,279,028
	297,393,152	693,486,892

The notes on pages 124 to 166 are an integral part of these financial statements.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)**

1. General information

Fondul Proprietatea S.A. (referred to as “Fondul Proprietatea” or “the Fund”) is an undertaking for collective investments, in the form of a closed end investment company, established in accordance with Law 247/2005 and Government Decision 1481/2005 and registered in Bucharest on 28 December 2005. The address of the Fund’s registered office is 78 - 80, Buzzești Street, 7th Floor, District 1, Bucharest.

The Fund undertakes its activities in accordance with Law 247/2005 regarding the reform in property and justice, as well as certain adjacent measures, as amended, Law 297/2004 regarding the securities market, as amended, and Law 31/1990 regarding companies, as republished and amended.

In accordance with its statute, the main activity of the Fund is the management and administration of its portfolio. The Fund undertakes other additional and related activities, according to the regulations in force.

The Fund was established to allow the payment in shares equivalent of compensations in respect of abusive expropriations undertaken by the Romanian State during the communist period, when properties were not returned in kind.

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch (“Fund Manager”) was appointed on 29 September 2010 as the Fund Manager and Sole Director of the Fund.

Since 25 January 2011 Fondul Proprietatea has been a listed company on the spot regulated market managed by the Bucharest Stock Exchange in Tier I (Shares) of the Securities Sector of the market, under ISIN number ROFPTAACNOR5 with the market symbol “FP”.

2. Basis of preparation

(a) Statement of compliance

These separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by European Union (IFRS).

The Fund has prepared these financial statements in order to provide users of the Fund’s financial reports with supplementary financial information on the Fund’s financial position. According with the requirements of the legislation in force the Fund will prepare and publish at a later date the consolidated financial statements of the group.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)**

2. Basis of preparation (continued)

(b) Basis of measurement

The separate financial statements have been prepared on the historical cost basis except for equity investments that are listed on an active market and treasury bills, which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Romanian Lei (RON), which is the Fund's functional currency. All financial information presented in RON has been rounded to the nearest unit.

(d) Use of estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 5 – Financial risk management;
- Note 11 – Other operating expenses;
- Note 18 – Valuation of equity investments;
- Note 19 – Recognition of deferred tax assets;
- Note 22 – Other liabilities;
- Note 24 – Contingencies.

(e) Reclassification of comparative information

The Fund reclassified certain income and expense items in the Statement of comprehensive income for the year ended 31 December 2010, in order to be consistent with current year presentation.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)**

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Subsidiaries and associates

Subsidiaries are entities controlled by the Fund. Control exists when the Fund has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account, when applicable.

Associates are those entities in which the Fund has significant influence, but not control or joint control, over the financial and operating policies. The existence of significant influence is determined by analysing the ownership structure of the companies in which the Fund holds 20 percent or more of the voting power of the investee, their articles of incorporation and the Fund's power to participate in the financial and operating policy decisions of the investee. The Fund does not exercise significant influence in a number of companies in which it holds between 20 and 50 percent of the voting power, where the Fund's rights as minority shareholder are protective in nature, and not participative and where the major shareholder, or a group of shareholders holding majority ownership of the investee, operates without regard to the views of the Fund.

The lists of subsidiaries and associates at 31 December 2011 are disclosed in note 25 (c) and (d).

In these separate financial statements, investments in subsidiaries and associates are accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, as available-for-sale financial assets (see accounting policy 3 (c) below).

(b) Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Fund at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

The exchange rates of the main foreign currencies published by the National Bank of Romania at 31 December 2011 were as follows: 4.3197 RON/EUR and 3.3393 RON/USD (31 December 2010: 4.2848 RON/EUR and 3.2045 RON/USD).

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)**

3. Significant accounting policies (continued)

(c) Financial assets and liabilities

(i) Recognition

The Fund recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value plus any directly attributable transaction costs, except for the investments in equity securities whose fair value cannot be reliably measured, which are recognised initially at cost.

The cost of equity investments which are contributed in kind by the Romanian State to the Fund's share capital is determined in accordance with the provisions of Law 247/2005, as amended by Government Emergency Ordinance ("G.E.O.") 81/2007, as follows:

- for the shares received at the Fund's establishment in December 2005, the cost is equal:
 - either to the weighted average price of the last 90 trading days, provided that the last of the 90 trading days is not more than 60 days prior to 24 November 2005, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
 - or to the book value of the shareholders' equity at 31 December 2004, according to the statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the shares received in June 2007, in accordance with G.E.O. 81/2007, the cost is equal:
 - either to the weighted average price of the last 90 trading days prior to 29 June 2007, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
 - or to the book value of the shareholders' equity at 31 December 2006, determined in accordance with statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the additional shares received in companies owned by the Romanian State and to which the State has made contributions in kind, which are received by the Fund so as not to dilute its shareholding in such companies, the cost for the Fund is determined at the par value of the shares received.

Mergers of portfolio companies are recognised at the date when the merger is registered at the Trade Register.

(ii) Classification

See accounting policies 3(d), (e), (f) and (g).

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)**

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(iii) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Fund measures the fair value of an instrument using quoted prices in an active market for that instrument at the reporting date. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for an equity security is not active, the Fund tries to establish fair value using a valuation technique.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)**

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets are measured at a bid price and liabilities are measured at an asking price.

(vii) Identification and measurement of impairment

At each reporting date the Fund assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against the financial assets. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on equity investments carried at fair value are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If, in a subsequent period, the fair value of an impaired equity investment increases, the recovery is recognised directly in equity.

Impairment losses on equity investments carried at cost (where their fair value cannot be reliably measured) are measured as the difference between the carrying amount and an estimate of present value of future cash flows, determined using generally accepted valuation techniques (e.g. valuation of equity investment using market approach).

Losses are recognised in profit or loss and are not reversed.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)**

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

In determining that equity investments are impaired, the Fund considers all relevant factors, such as significant or prolonged decline in fair value below cost, market and industry conditions, to the extent that they influence the recoverable amount of the investment, financial conditions and near-term prospects of the issuer, including any specific adverse events that may influence the issuer's operations, recent losses of the issuer, qualified independent auditor's report on the issuer's most recent financial statements etc.

(d) Cash and deposits with banks

Cash includes notes and coins on hand and current accounts held with banks.

Deposits with banks include deposits with original maturities of less than three months and deposits with original maturities of more than three months and less than one year.

Cash and deposits with banks are carried at amortised cost in the statement of financial position.

Deposits with banks with original maturities of less than three months are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(e) Held to maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Fund from classifying investment securities as held-to-maturity for the current and the following two financial years.

The Fund did not classify any investments as held-to-maturity as at 31 December 2011 and 31 December 2010.

(f) Available-for-sale financial assets

The Fund's investments in treasury bills and in equity securities are classified as available-for-sale financial assets.

(i) Equity investments carried at fair value

Subsequent to initial recognition, equity investments (other than those described at section (ii) below) are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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(all amounts are in RON unless otherwise stated)**

3. Significant accounting policies (continued)

(f) Available-for-sale financial assets (continued)

When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(ii) Equity investments carried at cost

Investments in equity securities that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured using a valuation technique, are measured at cost, subject to impairment testing.

(g) Other financial assets and liabilities

Other financial assets and liabilities are measured at amortised cost using the effective interest method, less any impairment losses (in case of financial assets).

(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Fund and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative period are as follows:

- | | |
|---------------------------------|------------|
| • Leasehold improvements | 3 years |
| • IT equipment | 3 years |
| • Vehicles | 5 years |
| • Furniture and other equipment | 5-10 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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(all amounts are in RON unless otherwise stated)**

3. Significant accounting policies (continued)

(i) Impairment of non-financial assets

The carrying amounts of the Fund's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

(k) Provisions

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(l) Dividend income

Dividend income relating to listed equity investments is recognised in profit or loss on the ex-dividend date. Income distributions from unlisted equity investments are recognised in profit or loss as dividend income when declared.

When the Fund receives or chooses to receive dividends in the form of additional shares rather than cash, the dividend income is recognised for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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3. Significant accounting policies (continued)

(l) Dividend income (continued)

When bonus shares are received with no cash alternative and only certain shareholders are granted additional shares, the shares received are measured at fair value and a corresponding amount of dividend income is recognised. However, if all shareholders receive bonus shares in proportion to their shareholdings, no dividend income is recognised as the fair value of the Fund's interest should be unaffected by the bonus issue.

The Fund recognises dividends from subsidiaries and associates as income in its separate financial statements when its right to receive the dividend is established.

For late dividend payments, the Fund initiates legal recovery measures (conciliation, litigations etc.). The Fund is entitled to charge penalties for overdue net dividends; applying the legal penalty interest rate according to the legislation in force. Penalty income on dividends is recognised in the financial year when collection is virtually certain.

Dividend income is presented gross of dividend withholding taxes, which are recognised as income taxes.

(m) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Interest income relates to current accounts, deposits held with banks and treasury bills.

(n) Income from sale of securities

Gains or losses from the disposal of the financial assets are recognised in profit or loss at the date of derecognising of the financial assets.

(o) Foreign currency gains and losses

Foreign currency gains and losses are reported on a net basis and include realised and unrealised foreign exchange differences. The majority of such gains and losses relate to the current accounts and deposits in foreign currency held with banks.

(p) Expenses

All expenses are recognised in profit or loss on an accrual basis.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)**

3. Significant accounting policies (continued)

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax includes also dividend withholding taxes.

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends by the Fund are recognised at the same time as the liability to pay the related dividend is recognised.

The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

The applicable tax rates are 16% (standard tax rate and also, the dividend withholding tax).

(r) Employee benefits

(i) Pensions and other post retirement benefits

The Fund, in the normal course of business, makes payments to the Romanian State on behalf of its employees. All employees of the Fund are members of the Romanian State pension plan.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)**

3. Significant accounting policies (continued)

(r) Employee benefits (continued)

The Fund does not operate any other pension scheme or post retirement benefit plan and, consequently, has no obligation in respect of pensions. In addition, the Fund is not obliged to provide further benefits to its employees.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Fund is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Fund has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(s) Treasury shares

The Fund recognises the treasury shares (repurchases of own shares) at the date when the transaction is recorded at the exchange where shares are traded (trade date); treasury shares are recorded at acquisition cost, including brokerage fees.

(t) Dividend payable

Dividends declared by the Fund are recorded as dividend payable when the Fund's General Shareholders Meeting approves them, as the Fund is then legally obliged to pay them.

According to the provisions of the legislation in force, the Fund is allowed to cancel the rights of shareholders to collect any dividends which have remained unclaimed 3 years after the date when the respective dividend distribution commenced. Upon cancellation, the Fund records the value of these dividends as income in the Income Statement. The Fund did not record any such income in year 2011 or in year 2010.

(u) Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the European Union ("EU") are effective for the current period:

- *Amendments to IAS 24 "Related Party Disclosures"* - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011);

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)**

3. Significant accounting policies (continued)

(u) Standards and Interpretations effective in the current period (continued)

- *Amendments to IAS 32 “Financial Instruments: Presentation”* – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 February 2010);
- *Amendments to various standards and interpretations “Improvements to IFRSs (2010)”* resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 February 2011 (amendments are to be applied for annual periods beginning on or after 1 July 2010 or 1 January 2011 depending on standard/interpretation);
- *IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”*, adopted by the EU on 23 July 2010 (effective for annual periods beginning on or after 1 July 2010).

The adoption of these amendments to the existing standards has not led to any changes in the Fund’s accounting policies.

(v) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- *Amendments to IFRS 7 “Financial Instruments: Disclosures”* - Transfers of Financial Assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

The Fund anticipates that the adoption of these standards, revisions and interpretations will have no material impact on its financial statements in the period of initial application.

(w) Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at the date of authorisation of these financial statements:

- *IFRS 9 “Financial Instruments”* (effective for annual periods beginning on or after 1 January 2015),

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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(all amounts are in RON unless otherwise stated)**

3. Significant accounting policies (continued)

(w) Standards and Interpretations issued by IASB but not yet adopted by the EU (continued)

- *IFRS 11 "Joint Arrangements"* (effective for annual periods beginning on or after 1 January 2013);
- *IFRS 12 "Disclosures of Involvement with Other Entities"* (effective for annual periods beginning on or after 1 January 2013);
- *IFRS 13 "Fair Value Measurement"* (effective for annual periods beginning on or after 1 January 2013);
- *IAS 27 (revised in 2011) "Separate Financial Statements"* (effective for annual periods beginning on or after 1 January 2013);
- *IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"* (effective for annual periods beginning on or after 1 January 2013);
- *Amendments to IFRS 7 "Financial Instruments: Disclosures"* - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013);
- *Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures"* – Mandatory Effective Date and Transition Disclosures;
- *Amendments to IAS 1 "Presentation of financial statements"* - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012);
- *Amendments to IAS 12 "Income Taxes"* - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012);
- *Amendments to IAS 32 "Financial instruments: presentation"* - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).

The Fund anticipates that the adoption of these standards, amendments to the existing standards and interpretations, except for IFRS 9, will have no material impact on its financial statements in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Fund's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to *IAS 39: "Financial Instruments: Recognition and Measurement"*, would not significantly impact the financial statements, if applied as at the balance sheet date.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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4. Financial risk management

The Fund's investment portfolio comprises listed and unlisted equity investments.

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The most important types of financial risks to which the Fund is exposed are market risk, credit risk and liquidity risk.

Due to the specific nature of the Fund's activities following its establishment in December 2005, involving clarifications on legal matters resulting from the transfers of shares from the State, rather than active trading in the portfolio shares, a passive risk management approach was adopted by the Fund from its inception until the commencement of Fund Manager's contract on 29 September 2010. In this earlier period no formal risk policies and procedures were in place.

Starting from 29 September 2010 the Fund Manager implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

(a) Market risk

Market risk is the risk that changes in market prices and rates, such as equity prices, interest rates and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to its issuer or factors affecting all instruments traded in the market.

Equity price risk arises from changes in the value of available-for-sale equity securities and is the primary risk impacting the Fund. Diversification across securities and industries, to the extent possible given the unique investment mandate, is the primary technique for mitigating equity price risk. The Fund has concentrated exposure to the Power Utilities, Oil and Gas, and Power and Gas Utilities industries.

The companies in which the Fund holds equity securities operate in different industries.

The Fund's exposure to industries was as follows:

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4. Financial risk management (continued)

(a) Market risk (continued)

(i) Equity price risk (continued)

	31 December 2011	31 December 2010
Power utilities: generation	4,016,241,752	4,014,537,192
Oil and gas	3,818,537,878	4,297,294,365
Power and gas utilities: transport, distribution, supply	1,633,222,004	1,752,483,390
Banks	484,034,158	48,473,750
Aluminium	236,875,321	211,868,727
Heavy industry	221,436,338	215,114,656
Infrastructure	205,006,057	205,006,057
Postal services	84,664,380	84,664,380
Others	31,624,580	32,114,584
	10,731,642,468	10,861,557,101

The Fund has equity investments of RON 4,768,466,068 at 31 December 2011 (31 December 2010: RON 4,846,321,942) which are listed on the Bucharest Stock Exchange (at either BSE or RASDAQ segment) or Vienna Stock Exchange. For such investments, a ten percent increase in the BET-C, respectively ATX index at the reporting date would have increased equity by RON 422,823,955 after tax (2010: RON 384,571,201); an equal change in the opposite direction would have decreased equity by RON 422,823,955 after tax (2010: RON 384,571,201). The analysis is performed on the same basis for 2010.

(ii) Interest rate risk

The Fund places cash into fixed rate bank deposits original maturities of more than one month and less than six months and into treasury bills.

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

Fixed rate instruments	31 December 2011	31 December 2010
Bank deposits with original maturities of less than three months	295,480,344	686,279,028
Bank deposits with original maturities of more than three months and less than one year	-	378,486,499
Treasury bills	195,919,673	248,021,476
	491,400,017	1,312,787,003

(iii) Currency risk

The Fund is exposed to currency risk on current accounts and deposits held with banks and receivables and payables that are denominated in foreign currencies, i.e. euro (EUR) and U.S. dollars (USD), but the balances were not significant during the reporting period.

The local currency depreciated compared to the EUR (from 4.2848 RON/EUR at 31 December 2010 to 4.3197 at 31 December 2011) and compared to the USD (from 3.2045 RON/EUR at 31 December 2010 to 3.3393 at 31 December 2011).

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4. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

The Fund's exposure to currency risk was as follows:

	31 December 2011	31 December 2010
RON		
Monetary assets		
Petty cash	135	413
Current accounts with banks	1,878,993	7,193,333
Bank deposits with original maturities of less than three months	295,480,227	686,279,028
Bank deposits with original maturities of more than three months and less than one year	-	378,486,499
Interest accrued on bank deposits	876,457	6,498,199
Treasury bills	195,919,673	248,021,476
Dividends receivable	52,479,298	4,069,237
Other receivables	831,286	31,004
	547,466,069	1,330,579,189
Monetary liabilities		
Payables in respect of equity contributions	-	(9,730,381)
Other liabilities	(42,206,771)	(52,155,013)
	(42,206,771)	(61,885,394)
	505,259,298	1,268,693,795
	31 December 2011	31 December 2010
EUR (in RON equivalent)		
Monetary assets		
Current accounts with banks	33,680	14,118
Bank deposits with original maturities of less than three months	117	-
Bank deposits with original maturities of more than three months and less than one year	-	-
Interest accrued on bank deposits	-	-
Other receivables	1,727,358	-
	1,761,155	14,118
Monetary liabilities		
Other liabilities	-	(7,401,999)
	-	(7,401,999)
	1,761,155	(7,387,881)

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4. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

A ten percent strengthening of the RON against the EUR at 31 December would have increased (decreased) profit or loss by the amount shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2010.

Profit or loss	31 December 2011	31 December 2010
EUR	(176,116)	738,788

As at 31 December 2011, the Fund held equity investments denominated in Euro with a fair value of EUR 38,463,298 (RON 166,149,792 equivalent).

(b) Credit risk

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills, dividends receivable and receivables in respect of equity contributions. The Fund's maximum exposure to credit risk from cash and deposits with banks was RON 298,269,474 at 31 December 2011 (31 December 2010: RON 1,078,471,177).

Cash and deposits are held with the following banks:

	31 December 2011	31 December 2010
Cash and deposits held with		
B.C.R.	83,686,191	291,438,440
Unicredit Tiriac Bank	71,193,790	184,267,506
BRD - Groupe Societe Generale	69,976,602	220,834,935
RBS Bank	50,081,958	-
Raiffeisen Bank	10,030,556	118,943,272
CITI Bank	8,010,500	-
ING Bank	4,950,587	3
C.E.C.	304,800	305,829
Bancpost	34,379	99,140,819
Marfin Bank	110	163,486,451
Alpha Bank	-	47,624
Banca Romaneasca	-	3,731
Piraeus Bank	-	1,474
Millenium Bank	-	872
Volksbank	-	190
MKB Romexterra Bank	-	31
	298,269,474	1,078,471,177

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FOR THE YEAR ENDED 31 DECEMBER 2011
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4. Financial risk management (continued)

(b) Credit risk (continued)

(i) Cash and deposits with banks

Current accounts and deposits are held with banks in Romania.

The Fund Manager established a formal policy regarding bank counterparty risks and limits. The Fund only establishes new deposits with financial institutions with credit ratings above investment grade. The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

(ii) Treasury bills

The Fund's maximum exposure to credit risk from treasury bills was RON 195,919,673 at 31 December 2011 (31 December 2010: RON 248,021,476).

As of 31 December 2011, the Fund held the following treasury bills with discount, denominated in RON:

Intermediary bank	Value as at 31 December 2011	Settlement Date	No. of treasury bills units	Interest rate	Maturity date
ING Bank	23,933,941	7-Sep-2011	2,500	6.60%	5-Sep-2012
ING Bank	25,540,620	7-Sep-2011	2,670	6.73%	5-Sep-2012
ING Bank	20,653,644	5-Oct-2011	2,100	6.46%	5-Apr-2012
ING Bank	20,300,790	12-Oct-2011	2,126	6.83%	10-Sep-2012
ING Bank	25,315,612	26-Oct-2011	2,658	6.82%	24-Sep-2012
BRD Groupe Societe Generale	3,793,652	28-Oct-2011	380	6.09%	11-Jan-2012
BRD Groupe Societe Generale	15,989,362	31-Oct-2011	1,600	6.05%	5-Jan-2012
ING Bank	20,137,755	23-Nov-2011	2,101	6.71%	22-Aug-2012
ING Bank	20,085,154	7-Dec-2011	2,077	6.59%	6-Jul-2012
BRD Groupe Societe Generale	20,169,144	16-Dec-2011	2,050	6.30%	4-Apr-2012
Total	195,919,673				

(iii) Dividends receivable

The Fund's maximum exposure to credit risk from dividends receivable was RON 52,479,298 at 31 December 2011 (31 December 2010: RON 4,069,237).

Dividend income is recognised in the income statement on the ex-dividend date (listed equity securities) or on the date dividends are declared (unlisted equity securities). In 2006, several companies paid dividends for the year ended 2005 to the State authorities from which the Fund received its shareholdings at its establishment, instead of making such payments to the Fund, as shareholder at the date when the dividends were declared.

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4. Financial risk management (continued)

(b) Credit risk

(iii) Dividends receivable (continued)

The Fund initiated legal proceedings to recover such dividends. At the end of 2010 and 2011, the Fund recognised impairment losses on such dividends for which recoverability was not certain.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The following are the residual maturities of the Fund's financial assets and financial liabilities:

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2011				
Financial assets				
Cash and current accounts	1,912,808	-	-	-
Deposits with banks	240,304,320	56,052,481	-	-
Treasury bills	19,783,015	-	176,136,658	-
Dividends receivable	52,479,298	-	-	-
Equity investments	-	-	-	10,731,642,468
Other receivables	2,558,644	-	-	-
	317,038,085	56,052,481	176,136,658	10,731,642,468
Financial liabilities				
Other liabilities	42,206,771	-	-	-
	42,206,771	-	-	-
	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2010				
Financial assets				
Cash and current accounts	7,207,864	-	-	-
Deposits with banks	645,986,261	425,277,465	-	-
Treasury bills	95,519,884	-	152,501,592	-
Dividends receivable	4,069,237	-	-	-
Equity investments	-	-	-	10,861,557,101
Other receivables	31,004	-	-	-
	752,814,250	425,277,465	152,501,592	10,861,557,101
Financial liabilities				
Other liabilities	59,557,012	-	-	-
	59,557,012	-	-	-

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4. Financial risk management (continued)

(c) Liquidity risk (continued)

The Fund's equity investments include unlisted securities, which are not traded in an organised public market and generally may be considered be illiquid. As a result, the Fund may not be able to liquidate quickly some of its investments in these instruments in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the credit worthiness of any particular issuer.

The Fund's listed equity securities are listed on the Bucharest Stock Exchange or on the Vienna Stock Exchange. However, not all listed shares are considered liquid due to insufficient volumes of transactions.

(d) Taxation risk

On 1 January 2007 Romania became a member of the European Union ("EU") and therefore has to apply detailed and complex rules on the basis of the EU Treaties, Regulations and Directives. The Fund has to conform to EU legislation from 1 January 2007 and, therefore, it has prepared to apply the changes arising from the EU legislation. These changes have been implemented, however the tax authorities have up to 5 years to audit the way these changes were implemented.

Interpretation of the text and practical implementation procedures of the newly enforced EU tax regulations could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Fund's treatment.

Furthermore, the Romanian Government has a number of agencies that are authorized to conduct audits (controls) of companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Fund will continue to be subject to regular controls as new laws and regulations are issued.

(e) Operating environment

The process of risk repricing during 2007 and 2008 as well as during the second part of 2011 in the international financial markets severely affected the performance of those markets, including the Romanian financial market, and fostered heightened uncertainty with regard to economic developments going forward.

The ongoing global credit and liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, lower level and difficult access to the capital market funding and lower liquidity levels across the Romanian banking sector.

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4. Financial risk management (continued)

(e) Operating environment (continued)

Such ongoing fears that the deteriorating financial conditions could contribute, at a later stage to a further retrenchment in confidence, prompted a coordinated effort of governments and central banks to adopt special measures aimed at countering a vicious circle of growing risk aversion and to helping minimise the effects of the financial crisis and finally restoring normal market functioning. However, political and economic turmoil in the emerging markets is expected to continue, and this can impact the value of the Romanian economy, and consequently the Fund's portfolio companies and its shares.

Management is unable to predict all developments which could have an impact on the Romanian financial sector and consequently what effect, if any, they could have on these financial statements.

Management is unable to reliably estimate the effects on the Fund's financial statements of any further deterioration in the liquidity of the financial markets, devaluation of financial assets influenced by the illiquid credit market conditions and the increased volatility in the currency and equity markets.

(f) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations.

The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

(g) Capital management

Fund's policy is to maintain a strong capital base so as to maintain shareholders' confidence and to sustain future developments.

The Fund's capital (shareholders' equity) comprises share capital, fair value and other reserves and retained earnings. The shareholders' equity was RON 11,717,633,364 at 31 December 2011 (31 December 2010: RON 12,463,427,009).

The Fund was not subject to externally imposed capital requirements.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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5. Financial assets and financial liabilities

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of the Fund's financial assets and financial liabilities:

	Loans and receivables	Held to maturity	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2011						
Cash and current accounts	1,912,808	-	-	-	1,912,808	1,912,808
Deposits with banks	296,356,801	-	-	-	296,356,801	296,356,801
Treasury bills	-	-	195,919,673	-	195,919,673	195,919,673
Dividends receivable	52,479,298	-	-	-	52,479,298	52,479,298
Equity investments at fair value	-	-	4,768,466,068	-	4,768,466,068	4,768,466,068
Equity investments at cost	-	-	5,963,176,400	-	5,963,176,400	Not available
Other receivables	2,558,644	-	-	-	2,558,644	2,558,644
Other liabilities	-	-	-	(42,206,771)	(42,206,771)	(42,206,771)
	353,307,551	-	10,927,562,141	(42,206,771)	11,238,662,921	Not available

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5. Financial assets and financial liabilities (continued)

	Loans and receivables	Held to maturity	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2010						
Cash and current accounts	7,207,864	-	-	-	7,207,864	7,207,864
Deposits with banks	1,071,263,726	-	-	-	1,071,263,726	1,071,263,726
Treasury bills	-	-	248,021,476	-	248,021,476	248,021,476
Dividends receivable	4,069,237	-	-	-	4,069,237	4,069,237
Equity investments at fair value	-	-	4,846,321,942	-	4,846,321,942	4,846,321,942
Equity investments at cost	-	-	6,015,235,159	-	6,015,235,159	Not available
Other receivables	1,901,634	-	-	-	1,901,634	1,901,634
Payables in respect of equity contributions	-	-	-	(9,730,381)	(9,730,381)	Not available
Other liabilities	-	-	-	(59,557,012)	(59,557,012)	(59,557,012)
	1,084,442,461	-	11,109,578,577	(69,287,393)	12,124,733,645	Not available

As at 31 December 2011 and 31 December 2010, management estimated that the dividends receivable for which no impairment losses were recognised would be collected within a short period of time and therefore their carrying amount approximated fair value.

Payables in respect of equity contributions and equity investments carried at cost do not have reliably measurable fair values.

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6. Gross dividend income

	Year ended 31 December 2011	Year ended 31 December 2010
OMV Petrom S.A.	201,623,004	-
Romgaz S.A.	106,010,598	87,829,620
Hidroelectrica S.A.	52,478,623	6,501,711
Transgaz S.A.	50,768,117	22,975,352
ENEL Distributie Banat S.A.	20,161,712	-
Alro S.A.	16,024,881	13,293,652
Primcom S.A.	14,276,720	1,731,351
ENEL Distributie Dobrogea S.A.	13,529,334	-
CN Aeroporturi Bucuresti S.A.	9,932,510	6,584,071
GDF Suez Energy SA	9,600,000	-
Conpet S.A.	6,984,786	3,810,281
Delfincom S.A.	5,633,501	-
Raiffeisen Bank International AG	4,735,544	-
Erste Group Bank AG	3,514,050	-
BRD - Groupe Societe Generale S.A.	2,427,206	-
Aeroportul International Timisoara - Traian Vuia S.A.	1,536,108	353,329
Transelectrica S.A.	1,147,845	494,761
E.ON Gaz Romania SA	-	24,651,075
E.ON Gaz Distributie SA	-	11,416,966
Others	2,048,646	1,602,093
	522,433,185	181,244,262

The dividend income was subject to 16% withholding tax for Romanian equity investments and 5% withholding tax for Austrian equity investments. In cases where the relevant holding in Romanian equity investments was larger than 10% for at least two years prior to the dividend distribution, no withholding tax was due.

7. Interest income

Interest income amounting to RON 41,129,291 in 2011 (2010: RON 131,466,209) arose from deposits held with banks and from treasury bills.

8. Gains on disposal of equity investments

During 2011 the Fund sold its entire holdings in Marlin S.A., Familial Restaurant S.A., Laromet S.A. and Zamur S.A. through public auctions and the entire holding in Vitacom S.A. and part of its holding in Oil Terminal S.A. on the open market. Additionally, the Fund disposed of its holding in Comcereal Harghita S.A. at the price approved by the General Shareholders Meeting of the company during the delisting process from the Bucharest Stock Exchange, and of its holding in Retizoh as a result of the liquidation of this company. The gain on disposal of these equity investments was RON 8,799,778, representing the difference between the proceeds from disposals (RON 13,375,649) and the carrying values of the equity investments as at disposal date (RON 4,575,871).

There was no disposal of equity investments in 2010.

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9. Net foreign exchange gains / (losses)

	Year ended 31 December 2011	Year ended 31 December 2010
Realised foreign exchange gains / (losses)	700,842	(9,136,993)
Unrealised foreign exchange gains / (losses)	-	(28,158)
	700,842	(9,165,151)

Foreign exchange gains and losses arise mainly on the maturity of foreign currency deposits and on the revaluation of such deposits at the year end exchange rates.

10. Other operating income

	Year ended 31 December 2011	Year ended 31 December 2010
Income from penalties levied for late payment of dividends	12,141,634	781,711
Other operating income	45,724	234,920
	12,187,358	1,016,631

In the Statement of Comprehensive Income for the year ended 31 December 2010 (comparative information), other operating income has been reclassified from *other operating expenses* caption (where, in previous year financial statements, other operating expenses were presented net of other operating income) into a separate caption, in order to be consistent with current year presentation.

11. Other operating expenses

	Year ended 31 December 2011	Year ended 31 December 2010
Investment management and administration fee	32,149,759	18,305,781
National Securities Commission fee	15,594,192	5,373,143
Depositary fee	1,634,254	627,843
Third party services	3,495,314	13,555,379
Other operating expenses	1,369,782	9,626,245
	54,243,301	47,488,391

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12. Income tax expense

	Year ended 31 December 2011	Year ended 31 December 2010
Current tax expense		
Current tax (16%)	1,752,665	11,203,603
Dividend withholding tax	3,367,831	2,195,211
	5,120,496	13,398,814
Deferred tax expense		
Impairment losses on equity investments	(4,823,350)	(4,687,917)
Provisions for restructuring	36,203	104,879
Used tax losses	138,871	(138,871)
	(4,648,276)	(4,721,909)
Total income tax expense	472,220	8,676,905

The effective tax rate used to calculate the deferred tax position of the Fund for the years ended 31 December 2011 and 31 December 2010 was 16% (standard tax rate).

	Year ended 31 December 2011	Year ended 31 December 2010
Reconciliation of effective tax rate		
Profit for the year	518,067,291	215,010,452
Income tax expense	472,220	8,676,905
Profit excluding income tax	518,539,511	223,687,357
Income tax using the standard tax rate (16%)	82,966,322	35,789,977
Effect of:		
Lower tax rate on dividend income	(79,314,023)	(26,803,869)
Profit appropriation to legal reserve	(274,797)	(583,341)
Other non-taxable income	(4,840,721)	(120,012)
Non-deductible expenses (provisions)	1,872,938	346,643
Other non-deductible expenses	26,298	-
Provisions for restructuring	36,203	-
Deductions for charitable donations	-	47,507
Total income tax expense	472,220	8,676,905

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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12. Income tax expense (continued)

	Year ended 31 December 2011	Year ended 31 December 2010
Income tax recognised directly in equity:		
On equity investments carried at fair value	(135,402,535)	207,920,363
	<u>(135,402,535)</u>	<u>207,920,363</u>

13. Cash and current accounts

	31 December 2011	31 December 2010
Petty cash	135	413
Current accounts with banks	1,912,673	7,207,451
	<u>1,912,808</u>	<u>7,207,864</u>

The current accounts held with banks are not pledged as collateral for liabilities.

14. Deposits with banks

	31 December 2011	31 December 2010
Bank deposits with original maturities of less than three months	295,480,344	686,279,028
Bank deposits with original maturities of more than three months and less than one year	-	378,486,499
Interest accrued on bank deposits	876,457	6,498,199
	<u>296,356,801</u>	<u>1,071,263,726</u>

None of the deposits held with banks is pledged as collateral for liabilities.

15. Treasury bills

In 2011 and 2010, the Fund acquired discounted treasury bills denominated in RON.

	31 December 2011	31 December 2010
Treasury bills with original maturities of less than three months	19,783,015	95,519,883
Treasury bills with original maturities of more than three months and less than one year	176,136,658	152,501,593
	<u>195,919,673</u>	<u>248,021,476</u>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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16. Dividends receivable

	31 December 2011	31 December 2010
Dividends receivable		
Hidroelectrica S.A.	52,478,623	3,501,712
Romgaz S.A.	-	18,510,456
Transgaz S.A.	-	9,634,993
Complexul Energetic Rovinari S.A.	-	567,525
Other dividends receivable	646,840	824,392
	53,125,463	33,039,078
Impairment loss allowance		
Romgaz S.A.	-	(18,510,456)
Transgaz S.A.	-	(9,634,993)
Other dividends receivable	(646,165)	(824,392)
	(646,165)	(28,969,841)
	52,479,298	4,069,237

In 2011, the Fund reversed impairment losses on dividends of RON 28,323,677 (2010: nil) following the recovery of dividends from Romgaz S.A. (RON 18,510,456), Transgaz S.A. (RON 9,634,993) and Carom - Broker de Asigurare S.A. (RON 178,228).

17. Receivables in respect of equity contributions

This receivable in respect of equity contributions is the difference between the amount due from Ministry of Public Finance following the cancellation of the contribution corresponding to the holding in Electromecanica Ploiesti S.A. (after the decision of the High Court of Cassation and Justice, which irrevocably rejected in May 2011 the request of the Fund to be registered as a shareholder of this company), amounting to RON 21,436,245, and the cash and equity received from Ministry of Public Finance, not converted into share capital, amounting to RON 11,434,941, as follows:

- cash representing amounts recovered from the forced execution of World Trade Center SA in 2010, for a total amount of RON 9,395,641;
- shares contributed in kind by the State following the increase of the share capital of Plafar SA in 2010, for an amount of RON 334,740;
- shares contributed in kind by the State following the increase of the share capital of Hidroelectrica S.A. in 2011, for an amount of RON 1,704,560.

The Fund recorded an impairment adjustment for the entire remaining amount receivable in respect of equity contributions as at 31 December 2011, of RON 10,001,304 (31 December 2010: nil).

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18. Equity investments

In accordance with Law 247/2005, as amended by Government Emergency Ordinance 209/2005, the Fund received, at its establishment on 28 December 2005, shares in 117 companies as contribution in kind from the Romanian State, as sole shareholder.

In June 2007, Government Emergency Ordinance 81/2007 came into force, in accordance with which:

- 32 new shareholdings were added to the Fund's portfolio as contribution in kind to its share capital (21 shareholdings in companies already in the portfolio and 11 shareholdings in companies not previously in the portfolio);
- 39 shareholdings were removed from the Fund's portfolio and transferred back to the State.

The valuation of the shares contributed by the Romanian State in December 2005 and June 2007 was performed in October 2007 by an independent evaluator (Finevex S.R.L. Constanta), who followed the valuation methodology set forth by Government Emergency Ordinance 81/2007.

The value of the shareholdings, as determined by the evaluator, represents the cost of the equity investments.

Equity investments are available-for-sale financial assets and are carried at fair value, except for the investments whose fair value cannot be reliably measured, which are carried at cost less impairment.

Fair values at 31 December 2011 and 31 December 2010 were determined by reference to published bid price quotations on the stock exchange where shares are traded, where applicable.

Equity investments listed on the Bucharest Stock Exchange which are not actively traded, and unlisted securities, are carried at cost less impairment.

At 31 December 2011 and 31 December 2010, for equity investments carried at cost, no fair values could be determined using valuation techniques as the range of reasonable fair value estimates was significant and the probabilities of the various estimates could not be reasonably assessed.

The movement in the carrying amounts of equity investments is as follows:

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18. Equity investments (continued)

	Equity investments at fair value	Equity investments at cost	Total equity investments
31 December 2009	3,499,484,174	6,042,495,466	9,541,979,640
Shares contributions in kind by State	-	2,039,180	2,039,180
Acquisitions	47,335,500	-	47,335,500
Impairment loss	-	(29,299,487)	(29,299,487)
Changes in fair value	1,299,502,268	-	1,299,502,268
31 December 2010	4,846,321,942	6,015,235,159	10,861,557,101
Shares contributions in kind by State	-	1,704,560	1,704,560
Acquisitions	770,804,696	-	770,804,696
Disposals	(2,394,730)	(2,181,140)	(4,575,870)
Write-offs	-	(21,436,245)	(21,436,245)
Impairment loss	-	(51,691,805)	(51,691,805)
Reversal of impairment loss on disposals	-	21,545,871	21,545,871
Changes in fair value	(846,265,840)	-	(846,265,840)
31 December 2011	4,768,466,068	5,963,176,400	10,731,642,468

During 2011, the Fund increased its exposure to Alro S.A., Azomures S.A., BRD Groupe Societe Generale S.A. and Conpet S.A. The Fund also added three new holdings to its portfolio: Banca Transilvania S.A, Erste Group Bank AG and Raiffeisen Bank International AG.

Additionally, the Fund received 170,456 free shares in Hidroelectrica SA accounted for as contributions in kind to share capital of the Fund (at the nominal value of 10 RON/share). These free shares were received following the application of the provisions of Government Emergency Ordinance ("GEO") 81/2007. The source of the increase in share capital is the land for which the company obtained title deeds.

During the same period the Fund sold its entire holdings in Marlin SA, Familial Restaurant S.A., Laromet S.A. and Zamur S.A., through public auctions, at prices exceeding carrying values and its entire holding in Vitacom S.A. and part of its holding in Oil Terminal S.A. on the open market. Also, the Fund disposed of its shares held in Comcereal Harghita S.A. at the price approved by the General Shareholders Meeting of the company during the delisting process from the Bucharest Stock Exchange and its holding in Retizoh as result of the liquidation of this company.

The High Court of Cassation and Justice rejected irrevocably the request of the Fund to be registered as a shareholder of Electromecanica Ploiesti S.A. Following this irrevocable decision, the Fund issued a decision stating that the Romanian State represented by the Ministry of Public Finance did not fulfil the obligation to transfer the shares in this company and the holding in Electromecanica Ploiesti S.A, amounting to RON 21,436,245, was derecognised from Fund's portfolio.

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18. Equity investments (continued)

In July 2011, the merger of Electrica Furnizare Transilvania Nord S.A., Electrica Furnizare Muntenia Nord S.A. and Electrica Furnizare Transilvania Sud S.A. to create Electrica Furnizare S.A. was completed by the Trade Register. The Fund holds 22% of the new company.

In November 2011, the General Shareholders Meetings of Primcom S.A., Delfincom S.A. and Prestari Servicii S.A. approved the merger of these three companies, with Primcom S.A. as absorbing company while Delfincom S.A. and Prestari Servicii S.A. were the absorbed companies. The merger was completed in January 2012.

The structure of the Fund's portfolio was the following:

	31 December 2011	31 December 2010
Equity investments at fair value		
OMV Petrom S.A.	3,303,427,754	3,816,028,612
Transgaz S.A.	394,127,877	494,093,600
BRD - Groupe Societe Generale S.A.	271,899,654	48,473,750
Alro Slatina S.A.	236,875,321	211,868,727
Transelectrica S.A.	172,176,689	191,472,352
Raiffeisen Bank International AG	94,094,574	-
Conpet S.A.	89,949,706	52,092,600
Azomures S.A.	79,015,589	19,420,592
Erste Group Bank AG	72,055,218	-
Other	54,843,686	12,871,709
	4,768,466,068	4,846,321,941
Equity investments at cost		
Hidroelectrica S.A.	2,764,310,929	2,762,606,369
Nuclearelectrica S.A.	581,846,011	581,846,011
Romgaz S.A.	416,301,444	416,301,444
Complexul Energetic Turceni S.A.	282,299,927	282,299,927
Complexul Energetic Craiova S.A.	250,169,153	250,169,153
Electrica Distributie Muntenia Nord S.A.	165,223,950	165,223,950
Complexul Energetic Rovinari S.A.	137,615,732	137,615,732
Aeroporturi Bucuresti S.A.	131,168,262	131,168,262
E.ON Moldova Distributie S.A.	131,073,011	131,073,011
Enel Distributie Muntenia S.A.	107,277,263	107,277,263
Posta Romana S.A.	84,664,380	84,664,380
Other	911,226,338	964,989,658
	5,963,176,400	6,015,235,160
Total equity investments	10,731,642,468	10,861,557,101

None of the equity investments is pledged as collateral for liabilities.

Fair value hierarchy

The table below analyses equity investments carried at fair value, by valuation method.

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18. Equity investments (continued)

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2011:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	4,768,466,068	-	-	4,768,466,068
Treasury bills	195,919,673	-	-	195,919,673
	4,964,385,741	-	-	4,964,385,741

At 31 December 2010:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	4,846,321,942	-	-	4,846,321,942
Treasury bills	248,021,476	-	-	248,021,476
	5,094,343,418	-	-	5,094,343,418

19. Deferred tax assets

	31 December 2011	31 December 2010
<i>Temporary differences deductible (taxable)</i>		
Impairment losses on equity investments	4,470,395,844	4,440,249,906
Changes in fair values of equity investments	(1,476,518,081)	(2,322,783,919)
Fiscal loss carried forward	-	867,944
Provisions	59,525	285,794
	2,993,937,288	2,118,619,725
Deferred tax assets at 16%	479,029,966	338,979,156
Total deferred tax assets	479,029,966	338,979,156

The effective tax rate used to calculate the deferred tax position of the Fund as at 31 December 2011 and as at 31 December 2010 was 16% (standard tax rate).

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20. Other assets

	31 December 2011	31 December 2010
Dividend withholding tax to be recovered from Austrian tax authorities	1,727,358	-
Interest receivable in relation with the dividends late payments	470,404	750,393
Income tax to be recovered from the State Budget	291,912	934,870
Prepaid expenses	28,412	31,004
Guarantees on leased premises	-	84,837
Other assets	40,558	100,530
	2,558,644	1,901,634

21. Payables in respect of equity contributions

The payables in respect of equity contributions are non-interest bearing financial liabilities representing the consideration paid (in cash or in kind) by the significant shareholder of the Fund (the Romanian State, represented by the Ministry of Public Finance) with the intention of converting these into share capital via a future share capital increase.

As of 31 December 2010, the balance of RON 9,730,381 comprised:

- cash contributions, representing amounts resulted from partial recovery of receivables from World Trade Center Bucuresti SA by the Fund, in a total amount of RON 9,395,641, as follows: RON 8,724,887.92, EUR 148,700.76, USD 10,130.69, amounts transferred based on provisions of G.E.O. nr. 81/2007.
- shares contributed in kind by the State in amount of RON 334,740.

As of 31 December 2011, the balance was nil, as these contributions partially offset the receivable in respect of equity contributions recorded during 2011 (see note 17).

22. Other liabilities

	31 December 2011	31 December 2010
Investment Management and Administration fees	27,179,316	17,954,157
Dividends payable	12,238,494	24,821,842
CNVM commission	1,200,075	1,268,222
Tax on dividends	1,134,222	7,859,711
Provisions	59,523	285,792
Other liabilities	454,664	7,653,080
	42,266,294	59,842,804

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22. Other liabilities (continued)

In April 2011, the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03141 per share, payable to shareholders with effect from 30 June 2011, which represented the distributable profits of 2010. As at 31 December 2011, shareholders had collected 99% of this dividend.

The Fund's General Shareholders Meeting in September 2010 approved the distribution of a gross dividend of RON 0.0816 per share, payable to shareholders with effect from October 2010 which represented the distributable profits of both 2008 and 2009. As of 31 December 2011, shareholders had collected 99% of all dividends whose distribution started before 31 December 2010 (31 December 2010: 98%).

The commission due to National Securities Commission ("CNVM") arose following the Fund's registration with this authority in August 2010.

23. Shareholders' equity

(a) Share capital

As of 31 December 2011, the authorised and issued share capital comprised 13,778,392,208 ordinary shares at a nominal value of RON 1 per share out of which 370,823,112 shares were unpaid.

Unpaid share capital represents the net value of certain contributions due from the Romanian State represented by the Ministry of Public Finance, as shareholder, to the Fund that were recorded in previous years as paid capital (based on Law 247/2005, with subsequent amendments).

During 2011 some of the paid capital has been transferred to the unpaid share capital as explained, as follows:

- Romanian State represented by the Ministry of Public Finance did not fulfil the obligation of the transfer of 1,002,301 shares of Electromecanica Ploiesti S.A. to the Fund, according to the provisions of G.E.O.81/2007, in amount of RON 21,436,245; the High Court of Cassation and Justice irrevocably rejected in May 2011 the request of the Fund to be registered as a shareholder of Electromecanica Ploiesti S.A. (transfer to unpaid share capital recorded based on Fund Manager's Decision 24/31 May 2011);
- Romanian State represented by the Ministry of Public Finance did not fulfil the obligation of the transfer of 2,951,053 shares of Uzina Mecanica Bucuresti SA to the Fund, according to the provisions of G.E.O. 81/2007, in amount of RON 20,024,890; the High Court of Cassation and Justice irrevocably rejected in October 2011 the request of the Fund to be registered as a shareholder of Uzina Mecanica Bucuresti S.A (transfer to unpaid share capital recorded based on Fund Manager's Decision 35/23 August 2011).

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23. Shareholders' equity (continued)

(a) Share capital (continued)

- Romanian State represented by the Ministry of Public did not fulfil the obligation of the transfer of 19,226,031 shares of Nuclearelectrica S.A. to the Fund, according to the provisions of Law 247/2005, in amount of RON 340,796,918 (transfer to unpaid share capital recorded based on Fund Manager's Decision 36/23 August 2011);
- Compensation of the amounts recovered from the forced execution of World Trade Center SA and from the increase of share capital of Plafar SA in previous year, in amount of RON 9,730,381 (compensation recorded based on Fund Manager's Decision 34/23 August 2011);
- Compensation of the value of the 170,456 shares in Hidroelectrica SA received by the Fund free of charge according to GEO 81/2007 in 2011, in amount of RON 1,704,560 (compensation recorded based on Fund Manager's Decision 51/23 December 2011).

The shares unpaid did not entitle their holder to vote or to receive dividends.

At 31 December 2010, the authorised and issued share capital comprised 13,778,392,208 ordinary shares at a nominal value of RON 1 per share, the subscribed share capital of the Fund being recorded as fully paid.

By 31 December 2011, the State's share in Fund's issued capital decreased to 2.71%, out of which 2.69% was unpaid (31 December 2010: the State's share in Fund's issued capital was 38.88%).

The movements in share capital components are presented below:

	Share capital paid in	Share capital not paid in	Total share capital
31 December 2009	13,743,121,175	14,471,412	13,757,592,587
Shares contributed in kind by the State	1,704,443	-	1,704,443
Cash contributions	33,566,590	(14,471,412)	19,095,178
31 December 2010	13,778,392,208	-	13,778,392,208
Share capital reclassified as unpaid	(382,258,053)	382,258,053	-
Unpaid share capital compensated by State contributions	11,434,941	(11,434,941)	-
31 December 2011	13,407,569,096	370,823,112	13,778,392,208

(b) Fair value reserves on available-for-sale financial assets

The fair value reserves of RON 1,240,275,189 at 31 December 2011 (31 December 2010: RON 1,951,138,494) comprise the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

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23. Shareholders' equity (continued)

(c) Other reserves

	31 December 2011	31 December 2010
Legal reserve	129,803,203	102,524,308
Other reserves	120,299,556	120,299,557
	250,102,759	222,823,865

As required by the Romanian law, a minimum 5% of the statutory profit for the year must be transferred to the legal reserve. Such annual transfers must be discontinued when the reserve equals 20% of the issued share capital. The legal reserve cannot be used for distributions to shareholders. In 2011, the Fund transferred to the legal reserves an amount of RON 27,278,894 representing 5% of the 2011 statutory gross profit (in 2010: RON 23,369,372).

(d) Treasury shares

The Fund's General Shareholders Meeting in September 2010 approved a buy-back program of up to 10% of the Fund's share capital at prices ranging between 0.2 - 1.5 RON, which is valid until March 2012. The acquired shares can be cancelled and the share capital reduced following shareholders' approval.

The buy-back programme initiated in May 2011 was completed by 30 September 2011. During the programme, 240,304,801 shares equivalent to 1.74% of the Fund subscribed share capital were bought back for a total amount of RON 120,268,583.

At the General Shareholders Meetings on 23/25 November 2011, the Fund Manager proposed to cancel the treasury shares, but the proposal was not approved due to the lack of a quorum (a quorum of at least 50% of paid share capital is required for such a decision). The proposal to cancel these shares will be carried forward to the 2012 shareholder meetings.

e) Dividends

The Fund's General Shareholders Meeting approved in April 2011 the distribution of a gross dividend of RON 0.03141 per share, in relation to 2010 statutory profits.

During 2010 the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.0816 per share, in relation to 2008 and 2009 statutory profits.

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24. Contingencies

As at 31 December 2011 the Fund was involved in certain litigations, either as defendant or claimant. According to the requirements of the IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" the Fund discloses in the financial statements only those which may have significant effects on the Fund's financial position or profitability. The most important litigations were as follows:

1. The Fund is involved in several litigations regarding delay penalties requested from companies which have not yet paid dividends to the Fund for the year 2005 (some of the dividends have since been paid to the Fund pursuant to the Fund winning the law suits). Such litigations are yet to be resolved. During 2011 the most common practice of the Romanian courts was to accept the Fund's claims.

The claims filed by the Fund are in compliance with the provisions of Law 31/1990 as republished and further amended and these amounts should be due and paid to the Fund. These amounts were only be recognised as revenues when their recoverability becomes highly probable (the Court rules irrevocably in Fund's favour).

2. There is currently a court litigation involving the Fund and Nuclearelectrica.

In this file the Fund has sued Nuclearelectrica and the Ministry of Economy and Commerce (now the Ministry of Economy, Trade and Business Environment) and asked the court to record the transfer in the Nuclearelectrica's shareholders register of a total of 20,077,953 shares from the Ministry portfolio to the Fund portfolio in order to update the initial stake of the Fund in Nuclearelectrica, taking into account the share capital increases that took place between 1 February 2006 and 13 November 2007. The litigation was solved at the first stage by the Bucharest Court with the Court ruling against the Fund. The Fund has appealed the decision of the Court and the Bucharest Court of Appeal ruled against the Fund. The Fund will file the second appeal asking High Court of Cassation and Justice to issue the final and irrevocable decision.

For safety reasons, given that the decision issued by the first court in this case is enforceable, the Fund has blocked a total of 340,796,918 shares, in amount of RON 340,796,918 being computed based on valuation report issued in October 2007 by an independent evaluator (Finevex S.R.L. Constanta) for the shares presumed to be owned by the Fund in Nuclearelectrica. The Fund considered that in fact the Ministry of Public Finance has not contributed to the share capital of the Fund with this amount. After the courts will issue an irrevocable decision regarding this case the Fund will propose the shareholders measures in order to solve the issue of unpaid share capital, if it is the case.

As at 31 December 2011 the Fund owned 9.72% of the share capital of the Nuclearelectrica, as recorded at the Trade Register Office.

3. On the role of the courts there are many litigations started by the Fund against the merger plans for creating Hidroenergetica and Electra; in many of these cases the courts have decided to suspend the merger and in two of them the courts ruled in favour of the Fund and decided to block the merger plan. The merger process and the creation of Electra and Hidroenergetica are blocked and the Romanian Government decided to renounce at this project.

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24. Contingencies (continued)

In October 2011, the Romanian Government repealed its previous decision regarding the reorganization of the electricity generation sector for creating Electra and Hidroenergetica and the Government approved as an alternative plan for the restructuring of the electricity generation sector, the creation of Complexul Energetic Oltenia by merging Complexul Energetic Turceni, Complexul Energetic Rovinari and Complexul Energetic Craiova with Societatea Nationala a Lignitului Oltenia.

4. Some minority shareholders of the Fund have filed claims against the Fund with the Court requesting the cancellation of certain resolutions of the General Shareholders Meeting.

Other contingencies of the Fund included:

1. The Fund shall receive the following amounts from the Romanian State:
 - a the amount resulted from the trading on the Romanian or foreign stock exchange markets of the first 3% of Romtelecom S.A. shares;
 - b 20% of the amounts resulting from the privatization of Romtelecom S.A.;
 - c 9.9% of the amounts resulting from the privatisation of C.E.C. S.A.

These amounts should be recorded as payments for the unpaid capital or as increases of the share capital by the Romanian state once they are collected, with the approval of shareholders, according to the legislation in force.

- 2 The receivables from World Trade Center Bucharest S.A.:

Section II, Article 4 of G.E.O. 81/2007 stipulates the transfer from AVAS to the Fund of receivables from World Trade Center Bucharest S.A. amounting to USD 68,814,198 (including the original principal and related interest and penalties) on 29 June 2007.

On 1 October 2007 a reception minute was concluded between AVAS and the Fund based on which all documents related to the receivables due from World Trade Center Bucharest S.A. were transferred to the Fund.

On 4 October 2007, the Fund notified World Trade Center Bucharest S.A. regarding the cession of the receivables. Meanwhile, the transfer was registered with the Electronic Archive for Pledges.

Currently, World Trade Center Bucharest S.A. is the object of insolvency procedure, the next hearing being set for 28 March 2012.

In 2008, World Trade Center Bucharest S.A. paid USD 200,000 to the Fund, in 2009 USD 200,000 and in 2010 USD 110,130.69, EUR 148,700.76, RON 8,724,887.92. No such payments have been made to the Fund during 2011. In accordance with G.E.O. 81/2007, these cash receipts reduced the balance of the receivables in respect of equity contributions.

Given the uncertainties regarding their recoverability, the World Trade Center Bucharest S.A. receivables were recognised on receipt basis in the Fund's financial statements.

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25. Related parties

(a) Parent

The Romanian State represented by the Ministry of Public Finance controlled the Fund during 2010, but during 2011 its holding fell below the control threshold.

(b) Key management

	Year ended 31 December 2011	Year ended 31 December 2010
Salaries		
Members of the Board of Nominees	535,500	137,045
Directors	-	967,355
Members of the Supervisory Board	-	706,162
	535,500	1,810,562

There were no loans to or other transactions between the Fund and the Board members either in 2010 or in 2011.

In February 2010 the Fund signed the Investment Management Agreement with Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch ("Fund Manager") which became effective on 29 September 2010. On this date, Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch became the Fund Manager and Sole Administrator of the Fund.

The transactions carried during 2011 and 2010 between the Fund and Fund Manager were as follows:

Transactions	Year ended 31 December 2011	Year ended 31 December 2010
Investment management fee	25.437.909	14.484.115
Administration fee	6.711.849	3.821.666
Rental expense	98.569	23.953
Operating cost	25.364	5.014
	32.273.692	18.334.748

During 2011 the Fund Manager also issued invoices for RON 1,141,266 to the Fund for expenses incurred by the Fund Manager on its behalf. These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominee approval.

As at 31 December 2011, the Fund owed an amount of RON 27,401,373 to the Fund Manager (31 December 2010: RON 17,963,827).

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25. Related parties (continued)

(c) Subsidiaries

The Fund has the following subsidiaries, all of which are incorporated in Romania:

	31 December 2011	31 December 2010
Ownership interest		
Alcom S.A. Timisoara	72%	72%
Carom - Broker de Asigurare S.A. Bucuresti	70%	70%
Comsig S.A. Sighisoara	70%	70%
Delfincom S.A. Bucuresti	66%	66%
Prestari Servicii S.A. Bucuresti	71%	71%
Primcom S.A. Bucuresti	79%	79%
Romplumb S.A. Baia Mare	51%	51%
Telerom Proiect S.A. Bucuresti	69%	69%
Zirom S.A. Giurgiu	100%	100%

	Year ended 31 December 2011	Year ended 31 December 2010
Gross dividend income		
Primcom S.A. Bucuresti	14,276,720	1,731,351
Delfincom S.A. Bucuresti	5,633,501	-
Carom - Broker de Asigurare S.A. Bucuresti	-	27,636
	19,910,221	1,758,987
Other income		
Carom - Broker de Asigurare S.A. Bucuresti	55,130	-

	Year ended 31 December 2011	Year ended 31 December 2010
Dividends received		
Primcom S.A. Bucuresti	14,276,720	1,731,351
Delfincom S.A. Bucuresti	5,633,501	-
Carom - Broker de Asigurare S.A. Bucuresti	177,553	27,636
	20,087,774	1,758,987

	31 December 2011	31 December 2010
Dividends receivable		
Carom - Broker de Asigurare S.A. Bucuresti	10,832	188,385
	10,832	188,385

Impairment loss allowance		
Carom - Broker de Asigurare S.A. Bucuresti	(10,158)	(188,385)
	(10,158)	(188,385)
	674	-

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25. Related parties (continued)

(d) Associates

The Fund has one associate, which is incorporated in Romania:

	31 December 2011	31 December 2010
Ownership interest		
OVM Petrom S.A.	20%	20%
	Year ended	Year ended
	31 December 2011	31 December 2010
Gross dividend income		
OVM Petrom S.A.	201,623,004	-
	31 December 2011	31 December 2010
Dividends received		
OVM Petrom S.A.	201,623,004	-

26. Subsequent events

Voting rights restriction cancellation

On 23 November 2011 the Extraordinary General Shareholders Meeting approved a number of amendments to the Constitutive Act, one of the most important being the cancellation of the restriction of voting rights.

The new Constitutive Act with the restriction rights cancelled was approved by CNVM on 12 January 2012.

Since 13 January 2011, when the new Constitutive Act became effective, the restrictions of the voting rights related to the number of shares owned by the Fund's shareholders have been eliminated and the principle "one paid share is equal to one voting right" now applies.

A new permanent legal representative of the Fund

On 23 November 2011 the Extraordinary General Shareholders Meeting approved Oana Valentina Truța as the third permanent legal representative of the Fund. The other two permanent legal representatives are Grzegorz Maciej Konieczny and Adrian Cighi, appointed by shareholders on September 2010.

The appointment is effective beginning with 19 January 2012, the date of the registration with the Trade Register.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)**

26. Subsequent events (continued)

The addendum to the Investment Management Agreement

On 23 November 2011 the Ordinary General Shareholders Meeting approved the Addendum to the Investment Management Agreement. The change refers to the payment of Fund Manager's fees on a quarterly basis, starting 1 January 2012 (previously the fees were paid annually). The calculation of the fees are based on the number shares in issue multiplied by the average market price of the Fund's shares calculated for the respective quarter.

The change of the paid-up capital of the Fund

Since 2 February 2012, the paid-up capital of the Fund increased by RON 4,985,760 to RON 13,412,554,856, while its subscribed capital remained unchanged at RON 13,778,392,208. The increase in the paid-up capital reflects a reduction in the unpaid share capital held by the Romanian state due to the receipt by the Fund of 498,576 shares in Hidroelectrica following a share increase by that company relating to the value of land for which Hidroelectrica obtained title deeds.

Annex 4

STATEMENT FO PERSONS RESPONSIBLE

Provisions of Art.30 of Accounting Law no. 82/1991 and
CNVM Regulations no. 1/2006, Art.112¹, par. 1, letter c

The annual financial statements as at 31 December 2011 prepared for:

Entity: S.C. Fondul Proprietatea S.A.

Address: Bucharest, District 1, 78–80, Buzești Street, 7th Floor

Trade Registry Number: J40/21901/28.12.2005

Form of property: 22 (joint ownership with public capital under 50%, domestic and foreign public and private capital companies)

CAEN code and name: 6430 “Trusts, funds and similar financial entities”

Sole Registration Code: 18253260

The undersigned, Grzegorz Maciej Konieczny, Legal representative, and Mihaela Moleavin, Financial reporting manager with Franklin Templeton Investment Management Ltd. United Kingdom, Bucharest Branch, as sole administrator of S.C. Fondul Proprietatea S.A, undertake the responsibility for the preparation of the annual financial statements on 31 December 2011 and confirm that:

- a) The accounting policies used for preparation of the annual financial statements are in compliance with the applicable accounting regulations;
- b) The annual financial statements give a true and fair view of the financial position and performance and of other information regarding the conducted business.
- c) The company is conducting its business on the going concern basis.
- d) The Annual Administrator’s Report of Franklin Templeton Investment Management Ltd. United Kingdom, Bucharest Branch, regarding the management and administration of Fondul Proprietatea S.A. for the year 2011, includes an accurate overview of the developments and performance of Fondul Proprietatea S.A., as well as a description of the main risks and uncertainties related to the business.

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

Grzegorz Maciej Konieczny
Legal Representative

Mihaela Moleavin
Financial Reporting Manager

Annex 5

Changes in the Constitutive Act of Fondul Proprietatea S.A during 2011

**Decision no. 1/ 23 November 2011
of the General Extraordinary Assembly of Shareholders of
S.C. FONDUL PROPRIETATEA S.A.**

Headquarters: 78-80 Buzesti St, 7th floor, sector 1, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 23 November 2011, at 10:00, the shareholders of S.C. Fondul Proprietatea S.A. have met during the General Extraordinary Assembly of Shareholders ("EGM") of S.C. Fondul Proprietatea S.A. at its first convocation, at Hilton Hotel, 1-3 Episcopiei Street, Le Diplomate Meeting Room, district 1, Bucharest.

Upon the opening of the works 188 shareholders are found to be present or represented, holding a number of 3,398,399,797 shares, representing 25.35% of the total paid shares and holding a number of 2,383,875,832 voting rights.

The meeting chairman, Mr. Grzegorz Maciej Konieczny, the legal representative of the Sole Administrator – Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, headquartered in Bucharest, 78-80 Buzești Street, 7th and 8th floors, district 1, Bucharest, registered with the Trade Register under no. J40/8587/2009, fiscal identification code 25851096, registered with the Public Register of the Romanian National Securities Commission ("CNVM") under number PJM05SSAM/400001 observes that the EGM is statutory and legally established and it can adopt valid decisions regarding the items on the agenda.

Taking into consideration:

- The notice to attend to the EGM published in the Official Gazette Part IV number 3922 of 20 October 2011, in "Romania Liberă" newspaper on 20 October 2011, as well as on the website of S.C. Fondul Proprietatea S.A. – www.fondulproprietatea.ro on 19 October 2011,
- The provisions of the Articles of incorporation of S.C. Fondul Proprietatea S.A. in force,
- The provisions of Law 31/1990 regarding commercial companies, republished as subsequently amended and completed,
- Art. 147-158 of Regulation 15/2004 regarding the authorization and functioning of investment management companies, collective placement bodies and depositories, issued by the National Securities Commission, as subsequently amended and completed,
- The provisions of Law 297/2004 regarding the capital market, as subsequently amended and completed,
- The provisions of CNVM Regulation no. 6/2009 on the exercise of certain rights of the shareholders in the general shareholders meetings of companies, as subsequently amended and completed,
- Art. 21 of CNVM Regulation no. 4/2010 regarding the registration with the National Securities Commission and the functioning of "Fondul Proprietatea" – S.A. , as well as the transaction of the shares issued by it

Following the debates on the agenda, the shareholders of S.C. Fondul Proprietatea S.A. have decided as follows:

- I. **The election** of Mr. Radu Bugică, shareholder of S.C. Fondul Proprietatea S.A., as meeting secretary of the Assembly according to the provisions of art. 129 paragraph (2) in Law 31/1990.

This item was adopted by 1,375,601,365 votes representing 89.5720% of the valid votes. There were registered 148,918,724 votes against and 11,228,075 abstentions of the valid votes. No votes cancelled.

After the election of Mr. Radu Bugica, as meeting secretary, the Sole Administrator was appointed Mrs. Loredana Borjoiu as technical secretary.

II. **Amendment** of the Constitutive Act of SC Fondul Proprietatea SA, as approved by Resolution no. 5 of the Extraordinary General Meeting of Shareholders of 29 November, 2010, published in the Official Gazette no. 218 of 20 January, 2011 ('Constitutive Act'), as follows:

2.1. The Article 11 is amended as follows:

- “(1) Each share fully paid by the shareholders, according to the law, grants them the right to vote in the general meeting 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, each share grants one voting right.
- (3) Holding one share implies the rightful adhesion to this constitutive act.
- (4) The rights and obligations follow the shares in case ownership thereof passes to another person”.

This item was adopted by 2,261,243,610 votes representing 83.9749% of the valid votes. There were registered 62,761,380 votes against and 368,756,244 abstentions of the valid votes. There were 19,307,097 cancelled votes.

2.2. The Article 12 is amended as follows:

- “(1) The general meeting of the shareholders may be ordinary and extraordinary.
- (2) The ordinary general meeting 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 and financial auditor;
 - b) to establish the distribution of the net profit and to establish the dividends;
 - c) to appoint the members of the Board of Nominees (“BoN”) 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 Board of Nominees, the Fund Manager and of the financial auditor for the ongoing fiscal year;

- 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 approve the strategies and the development policies of Fondul Proprietatea;
 - j) to establish the annual income and expenditure budget, and to approve 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 meeting 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 whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
 - i) change of the management system of Fondul Proprietatea;
 - j) limitation or cancellation of the preference right of the shareholders;
 - k) approves the Investment Policy Statement;
 - l) any other amendment of the constitutive act or any other resolution requiring the approval of the extraordinary general meeting of the shareholders, according to applicable law or to this Constitutive Act”.

This item was adopted by 2,242,721,196 votes representing 83.5017% of the valid votes. There were registered 423,023,097 votes against and 20,090,117 abstentions of the valid votes. There were 19,307,097 cancelled votes.

2.3. The Article 14 is amended as follows:

“I. Quorum and voting rights

- (1) Upon the first calling, for the validity of the deliberations of the ordinary general meeting 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 meeting of the shareholders are taken with the majority of votes. The decision of the ordinary general meeting of the shareholders regarding the cancelation of the appointment of the members of the Board 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 meeting 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 meeting 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 meeting 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 meeting 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 meeting of the shareholders shall be opened by the permanent representative of the Fund Manager or, in its absence, by the one holding its place. A legal representative of the Fund Manager or a person appointed by the legal representative of the Fund Manager shall be the chairman of the meeting. The members of the Board of Nominees shall participate at the meetings, as well.
- (7) The general meeting 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 meeting 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 meeting of the shareholders, attending shareholders, the members of the Board 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 meetings 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 meetings of the shareholders' register.
- (12) Considering the extremely large number of shareholders of Fondul Proprietatea the shareholders may participate in person, by proxy with a special power of attorney or may express their voting right by correspondence or by electronic voting; the procedures and forms for the proxy, correspondence and electronic voting shall be set by the Fund Manager, in accordance with the applicable legislation and are made available to the shareholders at least by the date of publishing of convening notice for general meeting of shareholders.
- (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 meeting 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 meetings 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 meeting 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 30 days prior to the date provided for holding the meeting. In the case the calling of the general meeting is made by the Board of Nominees, the Fund Manager has the obligation to fulfil all the above mentioned formalities at the request of the Board of Nominees. In case the communication with the shareholder is not realised in this way, for objective reasons, the Board 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 public on the website of Fondul Proprietatea, in accordance with the applicable legislation.
- (17) In the ads informing on the convocation of the general meeting 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 by 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 meeting is made at the request of the Board of Nominees the above mentioned duties shall be fulfilled by the Board of Nominees. The deadline by 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 meeting of the shareholder by at least 48 hours.

- (18) The votes of the shareholders will be sent electronically or by 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 electronically 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.

IV. Exercising the voting right in the general meeting of the shareholders

- (20) The shareholders may be represented in each general meeting by other shareholders or by third parties subject to evidence that voting authority has been delegated by the shareholder for that particular general meeting.
- (21) The decisions of the general meetings 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 Board of Nominees, as the case may be, when calling the general meeting 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 Board of Nominees, the financial auditors and for taking some measures/decisions regarding the liability of the Fund Manager or of the members of the Board of Nominees and of the financial auditors of Fondul Proprietatea.
- (24) The procedures referring to the secret vote, where applicable will be approved by the Fund Manager and will be made public on the website of Fondul Proprietatea at the date of convening notice at least by the date of publishing of convening notice for general meeting of shareholders.
- (25) The decisions of the general meeting 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 meeting of the shareholders”.

This item was adopted by 2,663,697,702 votes representing 99.2583% of the valid votes. There were registered 19,550,561 votes against and 351,090 abstentions of the valid votes. There were 19,307,097 cancelled votes.

2.4. The Article 17 is amended as follows:

“The Board 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 meeting of the shareholders requests, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the general meeting 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 meeting 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 meeting;
- (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 meeting 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 meeting of the shareholders and presents an opinion to the Fund Manager and to the general meeting of the shareholders;
- (6) Receives from the Fund Manager for analysis the strategy in accordance with the Fondul Proprietatea's investment policy before to be submitted to the approval of the general meeting of the shareholders and presents an opinion to the Fund Manager and to the general meeting 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 meeting of the shareholders for the conclusion of the financial audit agreement and presents an opinion to the Fund Manager and to the general meeting of the shareholders;
- (9) Reviews on a regular basis the investment policy of Fondul Proprietatea and presents an opinion to the general meeting of the shareholders as any time it deems necessary, but in any case, at least once a year to the annual ordinary meeting;
- (10) Receives the report of the internal auditor and presents an opinion to the Fund Manager and to the general meeting 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 profit of the portfolio and comparison of profit 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 meeting of the shareholders;
- (12) Represents the general meeting 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 meeting 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 meeting of the shareholders;
- (14) Under the conditions of art. 13 paragraphs (11) and (14) calls upon the general meeting of the shareholders;
- (15) Participates to the meetings of the general shareholders' meetings 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 meeting 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) whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables
- (17) Recommends to the General Meeting of the Shareholders the termination of the management contract for the case when the Board of Nominees is considered is to the benefit of the shareholders.
- (18) Recommends to the general meeting of the shareholders on any other issues the Board of Nominees is considered relevant to the shareholders.
- (19) Following of proposal of Fund Manager, recommends to the Extraordinary General Meeting of the Shareholders the appointment of the public offer intermediate, as well as on his remuneration, when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.
- (20) Approves the delegation by the Fund Manager of certain activities. The delegation will be in force after the approval of NSC, where required by legislation in force.
- (21) Is responsible for monitoring the Fund Manager performance of the Investment Management Agreement”.

This item was adopted by 2,188,505,321 votes representing 83.6662% of the valid votes. There were registered 426,899,792 votes against and 351,090 abstentions of the valid votes. There were 19,307,097 cancelled votes.

2.5. The Article 19 is amended as follows:

- “(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, born on 22.11.1970 at Slupsk, Poland, with home address in Poland, identified with identification documentation issued by Polish Authorities on 14.05.2009, with validity date by 14.05.2019, with personal identification number 70112200078 and by Adrian Cighi, Romanian citizen, with home address on Bucuresti, 57 Aron Cotrus street, sc. D, et. 5, ap. D31, district 1, identified with ID RT number 768358 issued by S.P.C.E.P. District 1 on 18.05.2011, valid by 10.08.2021, with personal identification number 1830810314000 and by Oana - Valentina Truța, Romanian citizen, domiciled in Cluj-Napoca, 18 Iuliu Moldovan Street, apartment 13, Cluj county, identified with Identity Card series KX number 361489 issued by Cluj-Napoca on 08.06.2004, valid by 20.08.2014, having as Personal Identification Number 2800820260032, under Investment Management Agreement signed on 25 February 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 meeting 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 meeting of the shareholders, entitled to decide on the termination of the mandate even before its regular lifespan. The Fund Manager will call the Ordinary General Meeting of Shareholders with at least 3 months before of the termination of Investment Management Agreement having on the agenda the extension of the mandate or the appointing of a new Fund Manager. The Fund Manager will organize the Ordinary General Meeting of Shareholders before the termination of Investment Management Agreement.
- (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 professional liability insurance.
- (5) The Investment Management Agreement can be modified or replaced in accordance with article 12 and 14, with the approval of the shareholders. Any replacement document or addendum of the Investment Management Agreement will be signed on behalf of Fondul Proprietatea by the chairman of the Board of Nominees or by a member of the Board of Nominees empowered by the chairman.”

This item was adopted by 2,659,364,104 votes representing 99.4137% of the valid votes. There were registered 15,066,996 votes against and 614,920 abstentions of the valid votes. There were 19,307,097 cancelled votes.

2.6. The Article 20 is amended as follows:

“The Fund Manager shall appoint a natural person as its permanent representative. The Fund Manager can make changes of its permanent representatives (that are the legal representatives and managers of the Fund Manager), with the prior authorisation of NSC. All changes will be registered at Trade Register.”

This item was adopted by 2,654,708,522 votes representing 99.3373% of the valid votes. There were registered 17,068,024 votes against and 641,426 abstentions of the valid votes. There were 24,115,402 cancelled votes.

2.7. The Article 21 is amended as follows:

- “(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 meeting 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 meeting of the shareholders and the monitoring of the Board 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 meeting, under the law, and draft the text of the announcement on the convocation of the general meeting, after obtaining the prior approval of the Board of Nominees and after it added to the agenda the matters requested by the Board of Nominees;

- ii) upon the written request of any shareholder submitted before the date of the general meeting of the shareholders, to give responses after obtaining the prior approval of the Board 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 meeting shall be given to them and also, after the announcement of the ordinary annual general meeting 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) prepare the annual financial statements, draft the annual activity report, examine the financial auditors' report, present them to the Board of Nominees before submitting such documents to the general meeting of the shareholders and make proposals on the distribution of the profit to the general meeting of the shareholders, after obtaining the prior approval of the Board of Nominees;
- v) manages 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 meeting of the shareholders;
- vii) proposes for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders, of the yearly income and expenditure budget and business plan;
- viii) propose for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea; it is responsible for the implementation 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 Board of Nominees on any significant changes in the activities of Fondul Proprietatea and within the structure of its portfolio
- ix) approves the outsourcing of certain activities, within the limits of the approved budget; respectively delegating the execution of certain activities, with the prior endorsement of the NSC, where required by applicable legislation,
- x) based on the proposal of the Board of Nominees to submit to the approval of the extraordinary general meeting of the shareholders any agreement / document which may create binding obligations to Fondul Proprietatea,, including but not limited to the purchase, sale, conversion or encumbrance of the assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
- xi) to enter into any agreement / document which may create binding obligations to Fondul Proprietatea, (the purchase, sale, conversion or encumbrance of the assets of Fondul Proprietatea) whose value does not exceed, either individually or cumulated, during a financial year, 20% of the non-current assets, less any receivables, without the approval of the ordinary or extraordinary general shareholders meeting;
- xii) propose to the ordinary general meeting of the shareholders the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees, as well as approve the procedure of internal audit and the audit plan;
- xiii) decide the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;

- xiv) make available to the Board of Nominees the reports, as well as other necessary documents for exercising the monitoring duties, in accordance with art. 17 paragraph (11);
- xv) inform at once the Board 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.
- xvi) ask for the calling of the general meeting which shall decide properly whenever an issue appears on which the Board of Nominees has a disagreement with the Fund Manager, which can not be resolved amiably.
- xvii) proposes to Board of Nominees the recommendation for the Extraordinary General Meeting of the Shareholders for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration , when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.”

This item was adopted by 2,237,821,180 votes representing 96.7795% of the valid votes. There were registered 71,024,588 votes against and 3,441,282 abstentions of the valid votes. There were 24,115,402 cancelled votes.

2.8. The Paragraph 1 of Article 24 is amended as follows:

“(1) The financial statements of Fondul Proprietatea are subject to financial audit. Also, Fondul Proprietatea shall organise its internal audit in accordance with the legal provisions in force.”

This item was adopted by 2,308,439,031 votes representing 98.9166% of the valid votes. There were registered 20,397,835 votes against and 4,883,481 abstentions of the valid votes. There were 19,307,097 cancelled votes.

2.9. The Article 27 is amended as follows:

“(1) The accounting is kept in Romanian language and in national currency.

(2) Fondul Proprietatea must draft the annual financial statements according to legal provisions in force.”

This item was adopted by 2,653,869,371 votes representing 99.2275% of the valid votes. There were registered 19,960,367 votes against and 698,469 abstentions of the valid votes. There were 19,307,097 cancelled votes.

2.10. The Paragraph 3 of Article 28 is amended as follows:

“(3) Fondul Proprietatea creates legal reserves and other reserves, pursuant to the law.”

This item was adopted by 2,468,981,182 votes representing 99.4524% of the valid votes. There were registered 13,523,508 votes against and 70,743 abstentions of the valid votes. There were 19,307,097 cancelled votes.

2.11. The Article 31 is amended as follows:

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

- a) impossibility of performing the company’s business object;
- b) declaring the company’s nullity;
- c) by decision of the extraordinary general meeting of the shareholders, in accordance with article 14 paragraphs (4) and (5);

- 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 meeting 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 of Fondul Proprietatea cannot take place before the finalisation of the procedures for granting indemnities to the rightful persons.
- (3) The dissolution decision of Fondul Proprietatea must be registered with the commercial registry and published in the Official Gazette of Romania, Part IV."

This item was adopted by 2,113,104,596 votes representing 99.7654% of the valid votes. There were registered 4,603,137 votes against and 364,490 abstentions of the valid votes. There were 19,307,097 cancelled votes.

2.12. The Article 33 is amended as follows:

"The calculation method of the net asset is made according to the legal provisions in force."

This item was adopted by 2,471,040,479 votes representing 99.4456% of the valid votes. There were registered 13,092,520 votes against and 682,726 abstentions of the valid votes. There were 19,307,097 cancelled votes.

2.13. The Article 34 is amended as follows:

- "(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) Fondul Proprietatea shall be subject to the investment restrictions provided under 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 as well as any other applicable law or regulation.
- (3) Subject to the terms of this Constitutive Act, of the IMA and the applicable law, all decisions in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of Fondul Proprietatea shall be at the sole discretion of the Fund Manager.
- (4) Prudential rules concerning the investment policy will be by approved by the shareholders through Investment Policy Statement."

This item was adopted by 2,456,226,219 votes representing 98.9591% of the valid votes. There were registered 25,835,461 votes against and no abstentions of the valid votes. There were 19,307,097 cancelled votes.

2.14. The approval of the new Constitutive Act of S.C. Fondul Proprietatea S.A.

The draft of the new Constitutive Act submitted for approval contains all the amendments and additions brought in the extraordinary general meeting of shareholders of November 29, 2010, and in this meeting, and have the contents specified in Annex to this Convocation. The New Constitutive Act shall become in effect after the approval of the National Securities Commission, under the legislation in force. The new Constitutive Act of S.C. Fondul Proprietatea S.A. has the following content:

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 RON 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 meeting 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 paragraph 2 shall be registered at the Trade Register Office, on the basis of the decision made by the General Meeting 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 meeting of the shareholders, which will decide if Fondul Proprietatea requires to be dissolved. In case the extraordinary general meeting of the shareholders does not decide the dissolution of Fondul Proprietatea, then Fondul Proprietatea is bound to proceed, at the latest by 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 meeting 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 RON 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 its 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 meeting 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, each share grants one voting right.
- (3) Holding one share implies the rightful adhesion to this constitutive act.
- (4) The rights and obligations follow the shares in case ownership thereof passes to another person.

CHAPTER IV

General meeting of the shareholders

ARTICLE 12

General meetings of the shareholders

- (1) The general meeting of the shareholders may be ordinary and extraordinary.
- (2) The ordinary general meeting 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 and financial auditor;
 - b) to establish the distribution of the net profit and to establish the dividends;
 - c) to appoint the members of the Board of Nominees ("BoN") 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 Board of Nominees, the Fund Manager and of the financial auditor for the ongoing fiscal year;
 - 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 approve the strategies and the development policies of Fondul Proprietatea;

- j) to establish the annual income and expenditure budget, and to approve 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 meeting 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 whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
 - i) change of the management system of Fondul Proprietatea;
 - j) limitation or cancellation of the preference right of the shareholders;
 - k) approves the Investment Policy Statement;
 - l) any other amendment of the constitutive act or any other resolution requiring the approval of the extraordinary general meeting of the shareholders, according to applicable law or to this Constitutive Act.

ARTICLE 13

Summoning the general meeting of the shareholders

- (1) The general meeting of the shareholders is called by the Fund Manager whenever required. Prior to the convocation of the general meeting of the shareholders, the Fund Manager shall communicate to the Board of Nominees the intention to call the general meeting and shall introduce on the list of matters for the meeting all matters requested by the Board of Nominees.
- (2) The ordinary general meeting of the shareholders meets at least once a year, within 4 months from the end of the financial year.
- (3) The date of the meeting may not be less than 30 days from the publication of the convocation in the Official Gazette of Romania, Part IV.
- (4) The general meeting 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 meeting.

- (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 Board of Nominees, the annual financial statements, the annual report of the Fund Manager, the report of the Board 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 meeting, 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 meeting of the shareholders, as well as the agenda, expressly mentioning all matters that will be subject to debate. Upon calling the general meeting 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 Board 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 Board of Nominees is available to the shareholders, to be further reviewed and completed by shareholders.
- (9) The notice for the first general meeting 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 meeting of the shareholders shall meet at the headquarters of Fondul Proprietatea or in another place indicated in the notice.
- (11) The Board of Nominees may request to the Fund Manager the calling of the general meeting, and if the Fund Manager does not observe the written request of the Board of Nominees within 5 working days from receiving it, the Board of Nominees may call upon the general meeting of the shareholders by following the same procedures as set out in this Article.
- (12) The chairperson of Board of Nominees may request to the Fund Manager the calling of the general meeting according to article 16 paragraph (4) second sentence.
- (13) The Fund Manager immediately call the general meeting 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 meeting of shareholders.
- (14) In the case provided by paragraph (13), the general meeting 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 meeting of shareholders, the shareholders who requested the calling of the general meeting may request the same to the Board of Nominees. Should the Board 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 meeting by the shareholders which formulated the request.

ARTICLE 14**Organization of the general meeting of the shareholders****I. Quorum and voting rights**

- (1) Upon the first calling, for the validity of the deliberations of the ordinary general meeting 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 meeting of the shareholders are taken with the majority of votes. The decision of the ordinary general meeting of the shareholders regarding the cancelation of the appointment of the members of the Board 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 meeting 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 meeting 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 meeting 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 meeting 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 meeting of the shareholders shall be opened by the permanent representative of the Fund Manager or, in its absence, by the one holding its place. A legal representative of the Fund Manager or a person appointed by the legal representative of the Fund Manager shall be the chairman of the meeting. The members of the Board of Nominees shall participate at the meetings, as well.
- (7) The general meeting 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 meeting 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 meeting of the shareholders, attending shareholders, the members of the Board 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 meetings 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 meetings of the shareholders' register.
- (12) Considering the extremely large number of shareholders of Fondul Proprietatea the shareholders may participate in person, by proxy with a special power of attorney or may express their voting right by correspondence or by electronic voting; the procedures and forms for the proxy, correspondence and electronic voting shall be set by the Fund Manager, in accordance with the applicable legislation and are made available to the shareholders at least by the date of publishing of convening notice for general meeting of shareholders.
- (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 meeting 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 meetings 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 meeting 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 30 days prior to the date provided for holding the meeting. In the case the calling of the general meeting is made by the Board of Nominees, the Fund Manager has the obligation to fulfil all the above mentioned formalities at the request of the Board of Nominees. In case the communication with the shareholder is not realised in this way, for objective reasons, the Board 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 public on the website of Fondul Proprietatea, in accordance with the applicable legislation.
- (17) In the ads informing on the convocation of the general meeting 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 by 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 meeting is made at the request of the Board of Nominees the above mentioned duties shall be fulfilled by the Board of Nominees.

The deadline by 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 meeting of the shareholder by at least 48 hours.

- (18) The votes of the shareholders will be sent electronically or by 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 electronically 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 meeting of the shareholders

- (20) The shareholders may be represented in each general meeting by other shareholders or by third parties subject to evidence that voting authority has been delegated by the shareholder for that particular general meeting.
- (21) The decisions of the general meetings 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 Board of Nominees, as the case may be, when calling the general meeting 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 Board of Nominees, the financial auditors and for taking some measures/decisions regarding the liability of the Fund Manager or of the members of the Board of Nominees and of the financial auditors of Fondul Proprietatea.
- (24) The procedures referring to the secret vote, where applicable will be approved by the Fund Manager and will be made public on the website of Fondul Proprietatea at the date of convening notice at least by the date of publishing of convening notice for general meeting of shareholders.
- (25) The decisions of the general meeting 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 meeting of the shareholders.

CHAPTER V

The Board of Nominees

ARTICLE 15

Organisation

The ordinary general meeting of the shareholders shall appoint the Board 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 Board of Nominees. The members of the Board 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 Board 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 Board of Nominees are made to the advantage of the shareholders.

- (3) The mandate of the members of the Board of Nominees is of 3 years, period to be extended by right, by the first meeting of the General Meeting 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 Board of Nominees elects from amongst its members a chairman of the Board.

ARTICLE 16

Functioning

- (1) The meetings of the Board of Nominees are held at least once every quarter, however they may be called upon whenever needed. The call for the meeting of the Board of Nominees is made by the chairman, any of its members or upon the request of the Fund Manager. The Board of Nominees shall meet in at most 7 days as of the calling.
- (2) The Chairperson of the Board of Nominees or, during his absence, a member of the Board of Nominees appointed through vote by the other members to chair the meeting, ensures the proper development of the meetings. The meetings of the Board of Nominees shall be held at the HQ of Fondul Proprietatea.
- (3) The Board of Nominees takes valid decisions provided the absolute majority of its members. The members of the Board of Nominees may be represented to the meetings of the Board of Nominees only by other members of the Board 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 Board of Nominees may represent only one absent member. The decisions of the Board 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 Board 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 Board of Nominees shall give notice for a second meeting of Board 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 Board of Nominees shall ask Fund Manager to convoke the general meeting 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 Board of nominees will be in his right to convoke the general meeting.
- (5) In case of vacancy of the seat of one or more members of the Board of Nominees, the general meeting of the shareholders shall immediately convoke for the appointment of new members. For the period in time by the decision of the general meeting, the other members of the Board of Nominees will nominate members ad interim to fulfil the vacant positions. The decision of the Board 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 Board of Nominees**

The Board 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 meeting of the shareholders requests, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the general meeting 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 meeting 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 meeting;
- (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 meeting 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 meeting of the shareholders and presents an opinion to the Fund Manager and to the general meeting of the shareholders;
- (6) Receives from the Fund Manager for analysis the strategy in accordance with the Fondul Proprietatea's investment policy before to be submitted to the approval of the general meeting of the shareholders and presents an opinion to the Fund Manager and to the general meeting 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 meeting of the shareholders for the conclusion of the financial audit agreement and presents an opinion to the Fund Manager and to the general meeting of the shareholders;
- (9) Reviews on a regular basis the investment policy of Fondul Proprietatea and presents an opinion to the general meeting of the shareholders as any time it deems necessary, but in any case, at least once a year to the annual ordinary meeting;
- (10) Receives the report of the internal auditor and presents an opinion to the Fund Manager and to the general meeting 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 profit of the portfolio and comparison of profit 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 meeting of the shareholders;

- (12) Represents the general meeting 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 meeting 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 meeting of the shareholders;
- (14) Under the conditions of art. 13 paragraphs (11) and (14) calls upon the general meeting of the shareholders;
- (15) Participates to the meetings of the general shareholders' meetings 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 meeting 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) whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables
- (17) Recommends to the General Meeting of the Shareholders the termination of the management contract for the case when the Board of Nominees is considered is to the benefit of the shareholders.
- (18) Recommends to the general meeting of the shareholders on any other issues the Board of Nominees is considered relevant to the shareholders.
- (19) Following of proposal of Fund Manager, recommends to the Extraordinary General Meeting of the Shareholders the appointment of the public offer intermediate, as well as on his remuneration , when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.
- (20) Approves the delegation by the Fund Manager of certain activities. The delegation will be in force after the approval of NSC, where required by legislation in force.
- (21) Is responsible for monitoring the Fund Manager performance of the Investment Management Agreement.

ARTICLE 18

The obligations of the members of the Board of Nominees

- (1) The members of the Board of Nominees have diligence and loyalty duties towards the shareholders of Fondul Proprietatea.
- (2) The members of the Board of Nominees are held liable towards the general meeting of the shareholders of Fondul Proprietatea, in accordance with the mandate rules. The decisions of the members of the Board 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 Board 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 Board 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 Board of Nominees, who acknowledges that in a certain operation, his/her wife or husband, relative or related persons by 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 Board 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 Board of Nominees or to the persons mentioned in paragraph (5);
 - b) the granting by a member of the Board 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 Board 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 Board 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 Board 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 Board 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 by the 4th grade inclusive of the members of the Board 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 Board 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 its 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, born on 22.11.1970 at Slupsk, Poland, with home address in Poland, identified with identification documentation issued by Polish Authorities on 14.05.2009, with validity date by 14.05.2019, with personal identification number 70112200078 and by Adrian Cighi, Romanian citizen, with home address on Bucuresti, 57 Aron Cotrus street, sc. D, et. 5, ap. D31, district 1, identified with ID RT number 768358 issued by S.P.C.E.P. District 1 on 18.05.2011, valid by 10.08.2021, with personal identification number 1830810314000 and by Oana - Valentina Truța, Romanian citizen, domiciled in Cluj-Napoca, 18 Iuliu Moldovan Street, apartment 13, Cluj county, identified with Identity Card series KX number 361489 issued by Cluj-Napoca on 08.06.2004, valid by 20.08.2014, having as Personal Identification Number 2800820260032, under Investment Management Agreement signed on 25 February 2010, which holds the position of sole administrator, 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 meeting 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 meeting of the shareholders, entitled to decide on the termination of the mandate even before its regular lifespan. The Fund Manager will call the Ordinary General Meeting of Shareholders with at least 3 months before of the termination of Investment Management Agreement having on the agenda the extension of the mandate or the appointing of a new Fund Manager. The Fund Manager will organize the Ordinary General Meeting of Shareholders before the termination of Investment Management Agreement.
- (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 professional liability insurance.

- (5) The Investment Management Agreement can be modified or replaced in accordance with article 12 and 14, with the approval of the shareholders. Any replacement document or addendum of the Investment Management Agreement will be signed on behalf of Fondul Proprietatea by the chairman of the Board of Nominees or by a member of the Board of Nominees empowered by the chairman.

ARTICLE 20

Functioning

The Fund Manager shall appoint a natural person as its permanent representative. The Fund Manager can make changes of its permanent representatives (that are the legal representatives and managers of the Fund Manager), with the prior authorisation of NSC. All changes will be registered at Trade Register.

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 meeting 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 meeting of the shareholders and the monitoring of the Board 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 meeting, under the law, and draft the text of the announcement on the convocation of the general meeting, after obtaining the prior approval of the Board of Nominees and after it added to the agenda the matters requested by the Board of Nominees;
 - ii) upon the written request of any shareholder submitted before the date of the general meeting of the shareholders, to give responses after obtaining the prior approval of the Board 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 meeting shall be given to them and also, after the announcement of the ordinary annual general meeting 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) prepare the annual financial statements, draft the annual activity report, examine the financial auditors' report, present them to the Board of Nominees before submitting such documents to the general meeting of the shareholders and make proposals on the distribution of the profit to the general meeting of the shareholders, after obtaining the prior approval of the Board of Nominees;
 - v) manages 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 meeting of the shareholders;
- vii) proposes for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders, of the yearly income and expenditure budget and business plan;
- viii) propose for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea; it is responsible for the implementation 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 Board 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 prior endorsement of the NSC, where required by applicable legislation,
- x) based on the proposal of the Board of Nominees to submit to the approval of the extraordinary general meeting of the shareholders any agreement / document which may create binding obligations to Fondul Proprietatea,, including but not limited to the purchase, sale, conversion or encumbrance of the assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
- xi) to enter into any agreement / document which may create binding obligations to Fondul Proprietatea, (the purchase, sale, conversion or encumbrance of the assets of Fondul Proprietatea) whose value does not exceed, either individually or cumulated, during a financial year, 20% of the non-current assets, less any receivables, without the approval of the ordinary or extraordinary general shareholders meeting;
- xii) propose to the ordinary general meeting of the shareholders the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees, as well as approve the procedure of internal audit and the audit plan;
- xiii) decide the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;
- xiv) make available to the Board of Nominees the reports, as well as other necessary documents for exercising the monitoring duties, in accordance with art. 17 paragraph (11);
- xv) inform at once the Board 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.
- xvi) ask for the calling of the general meeting which shall decide properly whenever an issue appears on which the Board of Nominees has a disagreement with the Fund Manager, which can not be resolved amiably.
- xvii) proposes to Board of Nominees the recommendation for the Extraordinary General Meeting of the Shareholders for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration , when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.

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 Board 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 by the 4th grade inclusive of the representative and its employees, are interested.

ARTICLE 23

Representation of Fondul Proprietatea

- (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) The financial statements of Fondul Proprietatea are subject to 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 Board 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 meeting 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 Board 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 meeting 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 Board 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 meeting of the shareholders.
- (14) The internal auditors shall take into consideration the complaints of the shareholders when drafting the reports addressed to the general meeting 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 prepare the annual financial statements according to legal provisions in force.

ARTICLE 28

Calculation and distribution of the profit

- (1) The result of the financial year is determined at the end of the year 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 meeting of the shareholders and to the legal provisions in force.
- (3) Fondul Proprietatea creates legal reserves and other reserves, 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 meeting 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 meeting of the shareholders.

ARTICLE 31

Dissolution

- (1) The dissolution of Fondul Proprietatea shall take place in the following cases:
 - a) impossibility of performing the company's business object;

- b) declaring the company's nullity;
 - c) by decision of the extraordinary general meeting of the shareholders, in accordance with article 14 paragraphs (4) and (5);
 - 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 meeting 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 of Fondul Proprietatea cannot take place before the finalisation of the procedures for granting indemnities to the rightful persons.
- (3) 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 legal provisions in force.

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) Fondul Proprietatea shall be subject to the investment restrictions provided under 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 as well as any other applicable law or regulation.
- (3) Subject to the terms of this Constitutive Act, of the IMA and the applicable law, all decisions in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of Fondul Proprietatea shall be at the sole discretion of the Fund Manager.
- (4) Prudential rules concerning the investment policy will be by approved by the shareholders through Investment Policy Statement.

ARTICLE 35

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 36

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 meeting 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 37

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 38

Final provisions

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."

This item was adopted by 2,061,212,983 votes representing 83.3851% of the valid votes. There were registered 392,684,374 votes against and 18,020,430 abstentions of the valid votes. There were cancelled 19,307,097 votes.

III. The approval of the power of attorney for the legal representative Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, for signing the EGM resolutions and any other of its documents, and for performing all the procedures and formalities stated by law for the purpose of enforcing the EGM resolutions, including the Constitutive Act in its updated form (both the version regarding the updating of the text, and the version regarding the new registered capital, pursuant to the decrease), as well as the formalities for publishing and registering them with the Trade Register Office and with any other public institutions. The person empowered by EGM shall have the right to delegate this power of attorney to any person its sees fit.”

This item was adopted by 2,617,093,591 votes representing 99.4735% of the valid votes. There were registered 13,186,238 votes against and 665,000 abstentions. There were 24,115,402 cancelled votes.

IV. The approval for setting the date of 15 December 2011 as registration date, in accordance with the provisions of Article 238, paragraph (1) of Law no. 297/2004 on the capital market, with its subsequent amendments and additions.

This item was adopted by 2,406,492,918 votes representing 99.5916% of the valid votes. There were registered 9,868,196 votes against and no abstentions. There were 23,207,097 cancelled votes.

Taking into consideration all the above mentioned, this decision was drafted and signed on behalf of the shareholders in 4 (four) originals by:

Grzegorz Maciej KONIECZNY

Legal representative of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, in his capacity of sole administrator of SC Fondul Proprietatea SA

Radu Bugică
Meeting secretary

Loredana Borjoiu
Technical secretary

Annex 6

Depository Bank Agreement of Fondul Proprietatea, concluded in 2011

ING BANK N.V. AMSTERDAM, SUCURSALA BUCURESTI DEPOSITORY AGREEMENT

for S.C. FONDUL PROPRIETATEA S.A.

CONTENTS

Depository Agreement
Schedule 1: General Terms and Conditions of Electronic Communication
Schedule 2: Depository Guidelines
Schedule 3: Operating Mandate
Schedule 4: Remuneration of the Bank
Schedule 5: Working Procedure

DEPOSITORY AGREEMENT No 475 .concluded on 8th August 2011

This Depository Agreement (the “Agreement”) has been concluded on the above-mentioned date, by and between:

ING Bank N.V. Amsterdam, banking company registered and existing under the law of The Netherlands, with the registered office in Strawinskylaan 1077 ZZ, The Netherlands, **by its branch in Bucharest, ING Bank N.V. Amsterdam –Bucharest Branch**, with the registered office in Sos. Kiseleff nr. 11-13, sector 1, Bucharest, registered with the Bucharest Trade Registry under no. J40/16100/ 1994, with fiscal identification code RO6151100, registered with the Credit Institutions Registry under no. RB-PJS-40-024, registered with the Public Registry of CNVM. (Romanian National Securities Commission) under no. PJM10DEPMNLD0001 through its legal representatives, hereinafter referred to as the “**Bank**” on one hand

and

S.C. Fondul Proprietatea S.A., closed-end investment company, existing under the provisions of the Law no. 297/ 2004 on the capital market, as further amended and completed, Law no. 247/2005 regarding the reform in the fields of property and justice, as well as some adjacent measures, as further amended and completed, corroborated with the provisions of the CNVM Regulation no. 15/2004, on the authorization and activity of the investment management companies, of the collective investments and depositing bodies, Regulation no. 4/2010, as subsequently amended, on the registration with the CNVM and on the activity of the Commercial Company “Fondul Proprietatea”- S.A. , as well as the trading of the shares issued by it, hereinafter collectively referred to as the Law and respectively Regulation, organized and existing in accordance with the Romanian laws, having the registered office in Bucharest, 78 - 80 Buzesti Street, 7th floor, District 1, Romania, registered at the Bucharest Commerce Registry Office under No. J40/21901/2005, Unique Identification Code 18253260, registered with the Public Registry of CNVM under no PJR09SIIR/400006 (hereinafter referred to as “**The Fund**”) represented by Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, with the registered office in Bucharest, 78-80 Buzesti Street, 7-8th floors, 1st district, Romania, registered at the Bucharest Trade Registry under the registration no. J40/8587/2009, sole identification code: 25851096, registered in the National Securities Commission’s Public register under no. PJM05SSAM/400001, acting as Sole

Administrator and Fund Manager of the Fund, which is legally represented by Mr. Grzegorz Maciej KONIECZNY as Legal Representative (hereinafter referred to as **the “Customer”**) (hereinafter collectively referred to as **“Parties”**).

PREAMBLE

WHEREAS, the Bank provides depository services, and the Customer intends to make use of these services,

THEREFORE, the Parties have agreed on the following provisions:

1. The Customer’s Category

- 1.1. According to the information provided by the Customer, the Bank will treat the Customer as a Professional Client and the Customer is hereby notified of such status accordingly. The Customer should be aware that different rules and different levels of protection apply to it depending on its customer category.
- 1.2 Depending on the client’s category as determined above, the Customer may request at any time, in certain circumstances, to be treated according to a different client category. Further information on this can be provided on request. The Customer should note that, if it wishes to elect for a different status, additional terms and conditions may apply, or the Bank may decline to provide particular services to the Customer.
- 1.3 The Customer is responsible for keeping the Bank informed about any changes that could affect its customer categorisation.

2. The object of the Agreement

The object of this Agreement consists in the following services provided by the Bank:

2.1 Receiving, depositing the Assets and certifying net asset value

2.1.1. The Bank:

- (i) Shall physically safeguard all the Customer’s assets (except for the monetary investments, the securities not admitted for trading, the real estate and accounting records assets) or the documents attesting the custody of such assets, except for those assets and documents held by sub-depositaries to whom the depository has entrusted the depository activity or who have been appointed as such by the Customer or by the National Securities Commission (hereinafter referred to as “CNVM”), according to the Law and the Regulation;
- (ii) Shall keep in custody the assets belonging to the Customer, separately from the Bank’s assets or other customers’ assets, and shall register it separately, thus as to be identifiable as the Customer’s property;
- (iii) Shall settle the transactions with the financial instruments or participation interests of the Customer in and from the Customer’s account, according to the Proper Instructions received from the Customer
- (iv) Shall collect the interests and other income related to the assets and deposited financial instruments, and shall exercise the rights conferred by such assets and instruments, in accordance with the Proper Instructions received from the Customer. The bank shall assist the Customer in recovering the difference of tax on dividends withheld by the issuers (in case of investments abroad or in Romania (if applicable), according to the tax treaties in force;

- (v) Shall certify the existence and the value of the net assets, the unit value of the net assets, based on the documents issued by:
 - a) the Fund Manager, for the accounting assets;
 - b) land registry, for real estate assets;
 - c) issuing entities, through the Shareholders registry or Trade Register records for the securities not admitted for trading;
 - d) the bank where the investment has been placed, for the monetary placements, in accordance with the Proper Instructions received and with the Electronic Communication Conditions, and shall transmit it to the Customer and to CNVM, within the terms, form, conditions and regular intervals established by the Law and in the CNVM regulations issued for its application.

The certification of the assets value shall be done in compliance with the legal provisions in force and the periodicity indications communicated to the Bank by the Customer, as well as based on the Proper instructions and according to the General Terms and Conditions of Electronic Communication, described in Schedule 1 to this agreement;

- (vi) Shall make the payment of the equivalent value of the financial instruments or participation interests purchased by the Customer, shall make the payments of all the financial duties, including the payment of interests, taxes, fees and other operational costs of the Customer, shall make payments for any other purposes, according to the Proper Instructions received from the Customer;
- (vii) Shall validate and certify the calculation of the Fund Manager management and administration fees;
- (viii) Shall provide proxy voting services (in Romania and abroad, where applicable and according to the conditions and legislation of the respective countries) upon the request and according to the Instructions of the Fund Manager. It is envisaged that the Customer will not require proxy voting services from the Bank in the majority of the cases.
- (ix) Shall carry out any other activities provided by the Law as part of its responsibility.

2.1.2 The Bank shall not transfer, pledge, or guarantee and, generally shall not dispose, in any other way, of the Customers assets for covering or reimbursing any of its obligations or of the third parties obligations, except for the case in which the Customer instructed the Bank, in writing, with express Proper Instructions. The Parties acknowledge that CNVM may issue special measures which may contradict these principles. The Customer's assets cannot be subject of enforcement procedures initiated by the Bank's creditors, cannot be subject of seizure or garnishment of any kind, and are not part of the creditors' table in case of bankruptcy of the Bank.

2.2. Transfer of assets

- 2.2.1. In order to release the Customer's assets, the Bank is entitled to request and to receive from the Customer any information and/or documents reasonably deemed as necessary for assessing the compliance of the operation with the legal provisions, the articles of incorporation and internal rules and regulations of the Customer.
- 2.2.2. The Bank shall execute payments from the Customer's Cash Account only upon receiving Proper Instructions and only after assessing the operation as compliant to the

legal provisions, Customer's articles of incorporation and the internal rules and regulations of the Customer.

- 2.2.3. The Bank shall transfer financial instruments from the Securities Account of the Customer only upon receipt of Proper Instructions, after the assessment of the operation as compliant with legal provisions, the provisions of the articles of incorporation and internal regulations of the Customer, and upon the receipt of the equivalent value of such financial instruments, where applicable.

3. Reference Terms and Regulations

The depository services to be provided and the manner in which they shall be provided are set out in this Agreement and in the Bank's Standard Terms and

Conditions for Electronic Communication (Schedule no. 1) and in the guidelines contained in Schedule no. 2 (hereinafter referred to as the "Guidelines"), which form part of this Agreement. From time to time the Parties may amend, replace or add to the Guidelines by agreement in writing. However, in the event of a conflict, the terms and conditions of this Agreement shall supersede the terms and conditions of the Guidelines.

4. Instructions and Communications

Any instructions and communications given by the Customer to the Bank pursuant to this Agreement must be Proper Instructions, which mean instructions that the Bank believes in good faith to have been given in accordance with the Guidelines in all respects (including, without limitation, regarding the authority of the Customers' representative and the formalities of the communication). The Bank shall only carry out such Proper Instructions, including any standard payment instructions, if they are given in accordance with the operating mandate attached to this Agreement in Schedule 3, as amended by the Customer from time to time and upon notice to the Bank.

5. Accounts

For the exclusive purpose of providing depository services under this Agreement, the Bank shall open accounts ("Accounts") in the name of the Customer, upon the Customer's instruction and as agreed from time to time, which shall include at least the following:

- (i) a Securities Account, for all non-cash assets, other than the monetary investments, real estate assets, securities not accepted for trading, and assets registered in the accounting records, (hereinafter referred to as "Investments") and indicated by the Customer to be deposited by the Bank, under this Agreement; and
- (ii) one or more Cash accounts, for cash and any currency received for the account of the Customer, held by the Bank in the name and on behalf of the Customer.

6. Settlement

- 6.1. The provisions of the present Agreement referring to the settlement and payment for the investments received in or transferred out of the cash account of the Customer and delivery of investments held in the securities account of the Customer shall be governed and, respectively, done in accordance with the relevant procedures provided under Romanian law.
- 6.2. Obligations of the Bank
- 6.2.1. The Bank shall perform settlement, clearing and depository operations through authorized systems, according with applicable legislation, regulation, and market practice.
 - 6.2.2. The Customer acknowledges that if the Customer fails to supply information, documents or funds reasonably required by the Bank, then the Bank may be unable to settle transactions until such documents, information or funds are supplied

- 6.2.3. Additionally, for any transaction which has not been entered into with or through the Bank, such obligation is conditioned upon the Bank's receipt of Proper Instructions in due time, which are in accordance with the Guidelines from the other party with whom the Customer has entered into that transaction. Delivery or payment by the other party to such transaction shall be at the Customer's risk.
- 6.2.4. The Bank's obligation to account to the Customer for any investments or for the sale proceeds shall be conditioned upon the Bank's receipt of the relevant documents or the sale proceeds from the counterparty to the transaction. The Bank will use all reasonable efforts expected in such circumstances to pursue the relevant documents or sale proceeds.
- 6.3. If the Customer does not provide the necessary information, documents or funds in the time for settlement, the Bank may reverse any such entry and/or may not perform the settlement, at its sole discretion. In case a transaction fails, the bank will use reasonable efforts to arrange return of any assets previously transferred in relation to the respective transaction, only where possible according to legislation in force.
- 6.4. The Bank shall inform the Customer about its refusal to execute a settlement, along with the related explanation as soon as reasonably practicable and no later than the end of the business day on which the bank reached this decision.
- 6.5. The Settlement System
 - 6.5.1. If not stated otherwise in the Guidelines, the Bank shall operate a settlement system through which the Cash Account of the Customer is debited with the purchase cost of the Investment, in the usual settlement days of the relevant market, or is credited with the sale proceeds upon receipt of the net funds from the final settlement of the transaction.
- 6.6. For those situations in which the Guidelines indicate that the settlement system outlined under Clause 6.5 shall not operate, or in which the Bank decides not to operate such a system because (i) it has not received or credited to its order the necessary documents or funds in time for settlement in accordance with the Guidelines or (ii) it has not received Proper Instructions which are timely in accordance with the Guidelines or (iii) the Bank considers it to be impossible to operate such a system, the Customer's Cash Account will be debited with the purchase cost of the Investment as of the actual date of settlement and credited with the sale proceeds as of the date of receipt of cleared funds. The Customer's Securities Account will similarly be credited or debited as of the date of actual settlement. For any other reasons/situations the Bank and the Customer will discuss the possibility of the settlement before the actual initiation of the transaction.
- 7. Holding Investment and Sub-custodians activity**
 - 7.1 In accordance with the provisions of the present Agreement and of the Romanian applicable legislation, the Bank shall hold in the Securities Account of the Customer all the investments made by the Customer in the name of the Customer.
 - 7.2 The Bank may transfer the assets and/or custody activities in connection with the Customer's Investments to one or more authorized third parties (named hereinafter „Sub-custodian” which may include branches, offices, subsidiaries or affiliates) in accordance with the agreed terms between the Bank and respective third parties, with respect to the Bank's General Conditions of Electronic Communication, the Customer's constitutive act/s and according to CNVM regulations and the legislation in force. The Bank shall be liable for all the acts and omissions of such Sub-custodians as if they were its own.

8. Recording of Investments

- 8.1. In its books and records, the Bank shall identify the Customer's investments as belonging to the Customer.
- 8.2. The Bank shall segregate the Customer's investments from any other securities belonging to the Bank or held by it in the accounts of other customers, including those owned by the Sub-custodians appointed according aforementioned in the name of the Customer; in the same time the Bank will separate and segregate the Investments, in such a way so to be clear that the respective Investments belong to the Customer.

9. Delivery of Investment and cash

Upon termination of this Agreement, and as mentioned in the Proper Instructions, the Bank shall release and deliver either cash or investments to which this Agreement relates to, in accordance with the provisions of the present Agreement.

10. Proxies and Communication

- 10.1. The Bank shall use all reasonable efforts, consistent with applicable law, within one business day, to deliver to the Customer all proxies, proxy soliciting materials and all notices, tender or exchange or similar offers and other relevant written information relating to such investments that it actually receives from the issuers of such investments or the parties to such offers. The Customer acknowledges and accepts the fact that the duty mentioned above is to be assessed based on the Bank having exercised the reasonable efforts in question and not assessed solely on the results.
- 10.2. When the Bank receives instructions through Proper Instructions, the Bank will use all reasonable efforts to ensure that according to the Romanian legislation, all necessary documents requested by the issuer are immediately signed by the Customer and the Bank will inform the Customer as soon as possible in order for the Customer to answer to any bid offer, exchange offer or any other similar offers only related to the Investments existing in the portfolio of the Customer. The Customer shall provide Proper Instructions to the Bank 5 Business Days prior to the date of execution of the transactions. The Customer acknowledges that in case Proper Instructions are provided with less number of days in advance, the Bank will act only on a best effort basis. The Customer acknowledges and accepts the fact that the duty mentioned above is to be assessed based on the Bank having exercised the reasonable efforts in question and not assessed solely on the results. If the Customer has not provided the Proper Instructions, the Bank will take no action
- 10.3. The above mentioned claused 10.1 and 10.2 aply only to Investments held by the Customer in listed companies.

11. Reports presented by the Bank

The Bank shall supply to the Customer the periodic reports established by the applicable legislation in force with such form, content and frequency as the Customer may reasonably request from time to time and agreed by the Bank.

Immediatly after the receipt of such reports, the Customer will notify the Bank in respect to any comments or discrepancies regarding these reports.

12. Further provisions

The Bank will be allowed to:

- 12.1. Cover from the Cash Account, in case no opposite Proper Instructions were received the current administrative expenses (including, but not limited to interest, fees, taxes, operational expenses, stamp duty and other similar taxes) as necessary, in respect to the purchase, sale, exchange, substitution, transfer, redemption or any other transactions that relate to

investments of the Customer or for any other purpose in compliance with the provisions of the present Agreement. In this respect, the Bank shall present to the Customer justifying documents for such payments, provided that such documents are in the Bank's possession or can be obtained by the Bank exercising due diligence;

- 12.2. to transmit to any of its subsidiaries, branches, agencies, offices any information regarding the Customer or the present Agreement on a need-to-know basis where required for the performance of this Agreement and provided it is in accordance with the legal provisions, the Guidelines, the regulations and the requests of the competent authorities;

13. Statements and Commitments of the Customer and of the Bank

- 13.1. Each of the Parties respectively warrants that it has the right and the capacity, including all the approvals, licenses, permits and generally, all the necessary authorizations to conclude, to undertake all the obligations and apply all the provisions of the present Agreement;
- 13.2. Each of the Parties respectively warrants that the present Agreement was legally signed by its legal representatives or the authorised representatives or its trustees with a special PoA and that the obligations of the Customer/Bank respectively mentioned in the present Agreement are legal commitments, valid and binding on the Customer/Bank respectively.
- 13.3. The Customer warrants that all investments delivered by or on behalf of the Customer or to the order of the Bank are delivered free, clear, and unencumbered by any rights, claims, or interests of any third person except the rights to such investments of those on whose behalf the Customer ultimately acts and except as otherwise agreed upon with the Bank.
- 13.4. Except insofar as the same may result from the default, negligence, breach of Agreement, fraud or bad faith on the part of the Bank, the Customer agrees to indemnify the Bank and hold it harmless against any claim, expense (including the legal expenses and accountants' fees of it or any third party claimant), loss or damage arising in connection with its exercise of the powers conferred in this Agreement including, without limitation, any action or omission undertaken in compliance with any Proper Instructions received by the Bank.
- 13.5. The Customer/The Bank each respectively represents and warrants that the execution, delivery and performance of this agreement does not violate any provisions of (i) its organisational and foundation documents or (ii) any contract or instrument to which it is a party or by which it or any of its assets are bound or affected.
- 13.6. The Customer/The Bank represents and warrants that it is not engaged in nor, to the best of its knowledge, threatened by litigation, arbitration or administrative proceedings, the reasonably anticipated outcome of which might materially and adversely affect the observance or performance of its obligations under this Agreement;
- 13.7. Based on the legal provisions in force, the Bank informs the Customer that:
- 13.7.1 The Central Depository has the right to interrupt/limit/deny, temporarily or definitively, the Bank's and/or Customer's access to its systems based on a written notice, including the reasons of such measure, considering the incidental applicable laws, notice that must be sent to the Bank at least 24 hours in advance, when possible:
- 13.7.1.1 according to the Central Depository's own policy regarding the allotment and efficient management of systems resources;
- 13.7.1.2 for the service/ upgrade/ test/ audit or remedy of any malfunctions of the systems;

13.7.1.3 for the enforcement of any legal provisions, of administrative acts, court orders, decisions of the Board of Directors of the Central Depository or organisms competent for imposing such actions.

13.7.2 In this case:

13.7.2.1. The Central Depository is not liable for the prejudices suffered by the Bank and/or by the Customer due to any abusive actions of the Bank.

13.7.2.2 The Bank fully holds the Central Depository harmless for the way the systems of the Central Depository works and for any prejudice of the patrimonial right or personal rights of the Bank and/or the Customer, except for the prejudices caused intentionally or from the gross negligence of the Central Depository

13.7.3 In the case of a major change of the Central Depository's systems, its shall inform the Bank on the new conditions, by means of a written notice sent 30 days prior to the effective estimated date. The Bank based on written notification shall notify such new amendments to the Customer.

13.7.4 The use of the Central Depository systems can be negatively influenced, interrupted or delayed due to causes beyond the reasonable control of the Central Depository including, but not limited to errors, malfunctions, delays, by action or non-action, or omission of these systems or of third parties and/or their systems.

13.7.5 The Central Depository is not liable for any loss, expense, prejudice or cost suffered, supported or paid by the Bank and /or by the Customer due to a negative influence, interruption or delay of the kind mentioned above.

13.7.6 For the avoidance of doubt, the Customer accepts no liability to the Central Depository or to the Bank for any payments by the Bank of the kind described in this clause 13.7.

13.8 The Bank informs the Customer that the transactions forming the object of this agreement shall be cancelled (*i.e.* annulled) – with effect of dissolution - *de jure*, without any further notice, prior or subsequent notice, without the intervention of the court and without the compliance of other formalities (commissoria lex of IVth degree), in case of payment failure by the Clearing Participant (as such term is defined in Chapter 1 Art. 1, of the Central Depository Code), when the Bank as participant to the settlement, clearing and registry system and the Customer have complied with their payment obligations towards the Clearing Participant deriving from that transaction and this Agreement.

13.9 The Bank undertakes to notify the Customer immediately in the event of: (i) any warranties or representation given by the Bank in this Agreement ceasing to be true and accurate; (ii) the Bank having breached this Agreement; (iii) the Bank becoming aware that it is being subject to any sanction or investigation which may lead to a sanction by a governmental or regulatory authority relating to the type of services performed according to this Agreement; or (iv) any other circumstances which are reasonably likely to have an adverse effect on the Bank's ability to perform its services and the quality of those services under this Agreement.

14. Bank's Liability and Indemnity

14.1. The Bank shall not be liable towards the Customer for its actions or inactions in relation to the obligations resulted from the present Agreement, as long as they respect the legal provisions, and, as well, the Bank shall not support any prejudice or expense determined by such action or inaction, except the situation in which these are due to the Bank's negligence, fraud, breach of Agreement, bad faith or wilful default.

- 14.2. Notwithstanding the provisions of Clause 14.1, the Bank shall not be liable for incomplete, illegally of any investment received from a third party and received by the Bank from them on behalf of the Customer's account or in case the investment is no longer valid or fraudulent, either by reason of invalidity, failure of signature, forgery, falsity, incompleteness or otherwise except in so far as such situation results from the negligence, wilful default, bad faith, breach of Agreement or fraud on the part of the Bank.
- 14.3. Under no circumstances will the Bank be liable to the Customer or any third party for any indirect consequential or special damages, including loss of profits or business opportunity, arising in connection with this Agreement.
- 14.4. Save as set out in this Agreement and applicable law, the Bank expressly disclaims all obligations to the Customer.
- 14.5. Except insofar as the same may result from the default, negligence, breach of Agreement, fraud or bad faith on the part of the Customer, the Bank agrees to indemnify the Customer and hold it harmless against any claim, expense (including the legal expenses and accountants' fees of it or any third party claimant), loss or damage arising from the performance of the Bank's services and obligations under this Agreement.

15. Remuneration of the Bank

Bank's remuneration for services rendered and its cost that is incurred under this Agreement shall be as specified in Schedule 4 that is part of this Agreement. The Bank shall be entitled to charge to the Customer Account remuneration amounts due and payable to the Bank by the Customer only with the Customers' express authorisation.

16. Penalties

If, in the absence of bona fide dispute between the Parties relating to that particular fee amount, the Customer does not pay (or authorise the Bank to debit the Customer Account in the amount of) the commissions due to the Bank within 10 Business Days from receipt of the invoice by the Customer (such invoice to include all the details supporting the computation of each category of fees), the Bank shall be entitled to charge penalty fees of 0.01% of the commission due for each day of delay from and including the 11th Business Day.

17. Duration and Termination of the Agreement

- 17.1 This Agreement shall become effective on the date of CNVM issuing the final approval on the agreement and shall run for a period of one year from the effective date. After this period the Agreement will be considered automatically renewed unless one of the Parties decides to terminate the Agreement. If the Customer decides the termination of the Agreement it shall give at least 90 calendar days' prior written notice to the Bank.
- 17.2. The Bank may terminate this Agreement only after giving the Customer a prior written notice of at least 90 calendar days. The Customer may terminate this Agreement after giving the Bank a prior written notice of at least 90 calendar days. The term begins on the date CNVM is notified of the notice of agreement termination. The decision of termination of the agreement is published in the CNVM Bulletin at the expense of the Party terminating the agreement. Within 90 calendar days of the above, the Customer is obliged to conclude a new depository agreement with a third party depository. If during the 90 calendar days the assets and financial instruments held by the Bank on behalf of the Customer to the new depository are not transferred, for whatever reasons, the Bank is obliged to notify CNVM on this, and CNVM will restrict customer accounts until the date of the transfer. The Bank undertakes to provide all reasonable co-operation and to supply all information reasonably required to support the handover of the Customer's assets and other arrangements governed by this Agreement to any new depository, subject to compliance with applicable law and regulation.

17.3 The Agreement shall cease in the following situations:

- a) by the agreement of the parties;
- b) under the CNVM / National Bank of Romania / competent authorities of the State where the Customer is legally registered withdraws notice / operating authorization of either party required to perform their obligations hereunder.
- c) if N.B.R initiated any surveillance or special administration procedures of the Bank or the Bank has started the bankruptcy proceedings;

All terms on which the parties agreed to have effect after termination of this Agreement will remain valid after such termination date.

17.4. The Customer has the right to withdraw all or part of the funds free of any encumbrances, except for those encumbrances specifically agreed with the Bank, and without paying compensation without such action constituting a termination of the Agreement in the absence of a notice or other event under this clause 17.

18. Consequences of Termination

Upon this Agreement's termination,

- 18.1 After the termination date of this Agreement but not more than 7 (seven) days from the date of concluding the transfer of assets from the Bank to the new depository bank under the above, the Bank shall report promptly to the Customer and CNVM all its investments and cash held on behalf of Customer, details on transfer of assets, the certified net asset value and unitary net asset value. However, the Bank will be authorized to hold such investments and cash, as needed, for completion of transactions already initiated and to pay any outstanding obligations of the Customer to the Bank.
- 18.2 On the termination date of this agreement, all the outstanding obligations of the Customer towards the Bank, according to this Agreement, shall become due, and the cash in the Cash account and the Investments in the Financial Instruments shall be automatically and without any formalities transferred in the current account of the Customer, without the Customer's approval but only if all due obligations of the Customer payable to the Bank are fully paid.

19. Force Majeure

The parties shall not be held liable and shall not be considered as failing to comply with their obligations for any delay or failure to comply with a total or partial obligation, generated or determined by circumstances independent of its will including, without limiting to: interruption, delay or power failure (partial or complete) or of the computer-based communication services (devices or programs) provided that, where the systems are internal to the Party claiming force majeure, that person must have in place adequate prevention and business recovery processes; actions of military or civil authorities; sabotage; war or governmental measures; popular riots or civil unrest; strikes or other industrial lock-outs; state of national emergency; epidemics; floods, earthquakes, fire, or other acts of God; orders, rules, or regulations of the Government, court orders, or orders of regulatory authorities except those relating to misconduct or breach of law or regulation by the relevant Party; difficulties or energetic crises or natural resources; inability to obtain or timely obtain the materials, equipments, or transportation means, as well as any other cases of force majeure, qualified as such according to the doctrine or case-law.

The party claiming the force majeure must notify in writing the other party in 48 (forty-eight) hours time from the force majeure event occurrence and to prove the intervention of this event with supporting documents issued by the Chamber of Commerce and Industry of Romania, that is the regional Chamber of Commerce and Industry (of the county or of the City of Bucharest), depending on the place of force majeure event.

20. Applicable Law and Prevailing Version

This Agreement shall be governed and interpreted according to the Romanian law. The Parties agree that any action or legal proceedings deriving from or related to this agreement shall be settled by the competent courts. In the event of any conflict in interpretation of the Romanian and English versions of this Agreement, the Romanian language version shall prevail.

21. Assignment

Any rights or obligations undertaken by the Parties through this Agreement shall not be assigned or transferred to any of the parties of this Agreement, without the written consent of the other party. Upon the Bank's request, the Customer shall sign any documents or acts or proxies, etc., reasonably required for carrying out the above-mentioned actions.

22. Notifications

Except as otherwise specified, any notice shall be sent in Romanian and/or English as agreed by the parties, in written, or by fax or e-mail expressly agreed upon by the parties that can also send a hard copy, and shall be sent to the Bank to the address: ING Bank N.V. Amsterdam – Bucharest Branch, 11-13 Kiseleff Av. Bucharest 1, and for the Customer, to the address mentioned in the preamble (or as notified in writing to the Bank). Any notice related to this Agreement shall be deemed as made and received upon the actual receipt of the same, under the mention that the notices sent by fax or other electronic means of communication expressly agreed by the parties shall be counter-sent by the transmission of the original by courier or by registered mail, with confirmation of receipt, without the validity of the initial notice to be affected by this second transmission.

23. Miscellaneous

- 23.1 This Agreement supersedes any other depository agreement, undertaking, and generally, any prior understandings by the parties regarding such transactions.
- 23.2 Any amendments or completions brought to this Agreement shall be valid only if agreed in writing and shall be signed by the legal / authorized representatives or proxies empowered by special power of attorney of each Party. The Parties may from time to time supplement or amend the terms of this Agreement with additional documents governing working procedures between the Parties provided such documents are in writing and signed by the afore-mentioned persons.
- 23.3 Schedules no. 1-5 form an integral part of this Agreement.
- 23.4 The Customer declares that it understands the terms of this Agreement and undertakes the risks deriving from the transactions with financial instruments.

24. Confidentiality and Record Keeping

- 24.1. The Parties shall treat as confidential all information relating to the Portfolio and to the Agreement.
- 24.2. The foregoing shall not extend to any portion of information:
 - (i) which the Bank needs to disclose to its affiliates, to any of its delegates, to any market counterparty or to any broker (in accordance with market practice) in relation to transactions undertaken for the Customer;
 - (ii) which is already in the receiving party's lawful possession at the time of disclosure, as established by relevant documentary evidence;
 - (iii) which is or later becomes, through no fault of the receiving party, generally available to the public

- (iv) which was obtained from a third party (other than the Customer's directors, employees and agents) with no breach of confidentiality;
 - (v) which is necessary to be disclosed to comply with applicable laws, rules and regulations of any relevant governmental, supranational or regulatory bodies, tribunals or tax administrations.
- 24.3 For the avoidance of doubt, this clause 24 shall continue in effect after termination of the Agreement for an unlimited period.
- 24.4 The Bank shall keep records of all Proper Instructions received, all material communications between the Parties and all operations in respect of the Customer's accounts with the Bank during the performance of this Agreement for a period of at least 5 years from the date of the record being made. Upon the Customer giving reasonable prior written notice, the Bank shall provide all reasonable access requested by the Customer to such records in respect of the Customer, its agents, and any governmental or regulatory authority to which the Customer is subject.

IN THE WITNESS THEREOF, the Parties have signed this Agreement on 8 August 2011., in 4 (four) original copies, one for each party and one for CNVM.

S.C. FONDUL PROPRIETATEA S.A.

By: Grzegorz Maciej KONIECZNY
 Title: Legal Representative of Franklin Templeton Investment Management Ltd. UK Bucharest Branch in its capacity of Sole Administrator of S.C. Fondul Proprietatea S.A.

**ING BANK N.V., AMSTERDAM
 BUCHAREST BRANCH**

By: Magdalena Nitu
 Title: Director Financial Institutions

By: Dana Iancu
 Title: Relationship Manager

Annex 7

Documents of Resignation / Lay Off for the Members of the Board of Nominees of Fondul Proprietatea S.A. during 2011

To: Fondul Proprietatea S.A.

Bucharest, 22.03.2011

In attention of:

Mr. Grzegorz Konieczny

Mrs. Valeria Nistor

Re: Resignation as member in the Board of Nominees

Dear Mr. Konieczny

Dear Mrs. Nistor,

According to the provisions of Art. 12.1 paragraph c of the Mandate Agreement („The Agreement”) concluded by the undersigned with Fondul Proprietatea S.A., I hereby inform you of my resignation as a member in the Board of Nominees. The resignation shall become effective on the expiry of 15 working days as provided in Art. 6A of the Agreement.

Sincerely,

Corin Trandafir

**DECISION NO. 4/ 27 APRIL 2011
OF THE GENERAL ORDINARY ASSEMBLY OF SHAREHOLDERS OF
S.C. FONDUL PROPRIETATEA S.A.**

Headquarters: 78-80 Buzesti St, 7th floor, sector 1, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 27 April 2011, at 12pm, the shareholders of S.C. Fondul Proprietatea S.A. have met during the General Ordinary Assembly of Shareholders (OGM) of S.C. Fondul Proprietatea S.A. at its first convocation, at Radisson Blu Hotel, 63-81 Victoriei Road, Atlas 2 Meeting Room, district 1, Bucharest.

Upon the opening of the works 136 shareholders are found to be present or represented, holding a number of 6,165,625,648 shares, representing 44.7485131423% of the total shares and holding a number of 6,031,702,649 voting rights.

The meeting chairman, Mr. Grzegorz Maciej Konieczny, the legal representative of the Sole director – Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, headquartered in Bucharest, 78-80 Buzesti St., 7th and 8th floors, district 1, Bucharest, registered with the Trade Register under no. J40/8587/2009, fiscal identification code 25851096, registered with the Public Register of the Romanian National Securities Commission (CNVM) under number PJM05SSAM/400001 observes that the OGM is statutory and legally established and it can adopt valid decisions regarding the items on the agenda.

Taking into consideration:

- The notice to attend to the OGM published in the Official Gazette Part IV number 1002 of 25 March 2011, in “Ziarul Financiar” newspaper on 25 and 28 March 2011, as well as on the website of S.C. Fondul Proprietatea S.A. – www.fondulproprietatea.ro on the same date,
- The supplemented agenda of OGM published in the Official Gazette Part IV number 1293 of 13 April 2011, in “Ziarul Financiar” newspaper on 14 April 2011, as well as on the website of S.C. Fondul Proprietatea S.A. – www.fondulproprietatea.ro on 15 April 2011,
- The provisions of the Articles of incorporation of S.C. Fondul Proprietatea S.A. in force,
- The provisions of Law 31/1990 regarding commercial companies, republished as subsequently amended and completed,
- Art. 147-158 in Regulation 15/2004 regarding the authorization and functioning of investment management companies, collective placement bodies and depositories, issued by the National Securities Commission,
- The provisions of Law 297/2004 regarding the capital market, as subsequently amended and completed,
- The provisions of CNVM Regulation no. 6/2009 on the exercise of certain rights of the shareholders in the general shareholders meetings of companies, as subsequently amended and completed,
- Art. 21 in CNVM Regulation no. 4/2010 regarding the registration with the National Securities Commission and the functioning of “Fondul Proprietatea” – S.A. , as well as the transaction of the shares issued by it

Following the debates on the agenda, the shareholders of S.C Fondul Proprietatea S.A. have decided as follows:

I. The election of Mr. Mihai Szabo, shareholder of S.C Fondul Proprietatea S.A., as meeting secretary of the Assembly according to the provisions of art. 129 paragraph (2) in Law 31/1990.

This item was adopted by 5,854,145,763 votes representing 99.33% of the valid votes. There were registered 24,512,844 valid votes against and 14,884,018 abstentions. There were no cancelled votes.

After the election of Mr. Mihai Szabo, as meeting secretary, the Sole Administrator was appointed Mrs. Loredana Borjoiu as technical secretary.

II. The recalling of Mrs. Monica Maurer-George from her quality of member in Board of Nominees of the Company.

This item was adopted by 5,372,801,232 votes representing 92.91% of the valid votes. There were registered 384,035,889 valid votes against and 25.391.090 abstentions. There were 1,176,574 cancelled votes.

III. The approval of the mandate of Mrs. Grzegorz Maciej Konieczny, as the legal representative of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch to sign the decisions of the OGM as well as any other assembly-related documents and perform all the procedures and formalities provided by law for the purpose of fulfilling the decisions of the OGM, including the formalities for the publication and registration of these with the Trade Register Office and with any other public institutions. The person empowered by the OGM will have the right to delegate this empowerment to any person it deems as appropriate.

This item was adopted by 5,781,932,196 votes representing 99.99% of the valid votes. There were registered 100 valid votes against and no abstentions. There were no cancelled votes.

Taking into consideration all the above mentioned, this decision was drafted and signed on behalf of the shareholders on 3 (three) originals by:

For Grzegorz Maciej KONIECZNY

Valeria Nistor

Empowered by the Decision of the sole director of S.C. FONDUL PROPRIETATEA S.A., Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch no. 21/ 27 April 2011

**DECISION NO. 5/ 27 APRIL 2011
OF THE GENERAL ORDINARY ASSEMBLY OF SHAREHOLDERS OF
S.C. FONDUL PROPRIETATEA S.A.**

Headquarters: 78-80 Buzesti St, 7th floor, sector 1, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

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Upon the opening of the works 136 shareholders are found to be present or represented, holding a number of 6,165,625,648 shares, representing 44.7485131423% of the total shares and holding a number of 6,031,702,649 voting rights.

The meeting chairman, Mr. Grzegorz Maciej Konieczny, the legal representative of the Sole director – Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, headquartered in Bucharest, 78-80 Buzesti St., 7th and 8th floors, district 1, Bucharest, registered with the Trade Register under no. J40/8587/2009, fiscal identification code 25851096, registered with the Public Register of the Romanian National Securities Commission (CNVM) under number PJM05SSAM/400001 observes that the OGM is statutory and legally established and it can adopt valid decisions regarding the items on the agenda.

Taking into consideration:

- The notice to attend to the OGM published in the Official Gazette Part IV number 1002 of 25 March 2011, in “Ziarul Financiar” newspaper on 25 and 28 March 2011, as well as on the website of S.C. Fondul Proprietatea S.A. – www.fondulproprietatea.ro on the same date,
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- Art. 21 in CNVM Regulation no. 4/2010 regarding the registration with the National Securities Commission and the functioning of “Fondul Proprietatea” – S.A. , as well as the transaction of the shares issued by it.

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This item was adopted by 5,854,145,763 votes representing 99.33% of the valid votes. There were registered 24,512,844 valid votes against and 14,884,018 abstentions. There were no cancelled votes.

After the election of Mr. Mihai Szabo, as meeting secretary, the Sole Administrator was appointed Mrs. Loredana Borjoiu as technical secretary.

II. The approval of the appointment of a Mr. Dudas Doru-Petru as member of Board of Nominees taking into consideration the potential vacancy as a result of the approval of recalling of Mrs. Monica Maurer-George.

This item was adopted by 5,085,548,586 votes representing 91.65% of the valid votes. There were registered 444,469,442 valid votes against and 18,349,676 abstentions. There were 137,298,500 cancelled votes.

The results for the candidates are presented below as follows:

Candidate	For	Against	Abstention
1. Beze Laviniu Dumitru	61,496,465 representing 1.10% from the valid votes	5,502,484,093	3,079,040
2. Bradean Eugen	28,567,999 representing 0.51% from the valid votes	5,505,976,197	12,778,561
3. Panca Daniel	906,604 representing 0.01% from the valid votes	5,533,839,415	7,889,161
5. Povarnaru Daniel	0 representing 0.00% from the valid votes	437,799,984	5,077,382,730
6. Rusu Simion-Dorin	197,917 representing 0.0035% from the valid votes	465,225,877	5,078,365,052
7. Timoianu Florentin	395,446,991 representing 7.14% from the valid votes	5,129,465,462	9,357,016

III. The approval of the mandate of Mrs. Grzegorz Maciej Konieczny, as the legal representative of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch to sign the decisions of the OGM as well as any other assembly-related documents and perform all the procedures and formalities provided by law for the purpose of fulfilling the decisions of the OGM, including the formalities for the publication and registration of these with the Trade Register Office and with any other public institutions. The person empowered by the OGM will have the right to delegate this empowerment to any person it deems as appropriate.

This item was adopted by 5,781,932,196 votes representing 99.99% of the valid votes. There were registered 100 valid votes against and no abstentions. There were no cancelled votes.

Taking into consideration all the above mentioned, this decision was drafted and signed on behalf of the shareholders on 3 (three) originals by:

For Grzegorz Maciej KONIECZNY

Valeria Nistor

Empowered by the Decision of the sole director of S.C. FONDUL PROPRIETATEA S.A., Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch no. 21/ 27 April 2011

**DECISION NO. 6/ 27 APRIL 2011
OF THE GENERAL ORDINARY ASSEMBLY OF SHAREHOLDERS OF
S.C. FONDUL PROPRIETATEA S.A.**

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The meeting chairman, Mr. Grzegorz Maciej Konieczny, the legal representative of the Sole director – Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, headquartered in Bucharest, 78-80 Buzesti St., 7th and 8th floors, district 1, Bucharest, registered with the Trade Register under no. J40/8587/2009, fiscal identification code 25851096, registered with the Public Register of the Romanian National Securities Commission (CNVM) under number PJM05SSAM/400001 observes that the OGM is statutory and legally established and it can adopt valid decisions regarding the items on the agenda

Taking into consideration:

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This item was adopted by 5,854,145,763 votes representing 99.33% of the valid votes. There were registered 24,512,844 valid votes against and 14,884,018 abstentions of the valid votes. There were no cancelled votes.

After the election of Mr. Mihai Szabo, as meeting secretary, the Sole Administrator was appointed Mrs. Loredana Borjoiu as technical secretary.

II **The approval** of the appointment of a Mr. Simion-Dorin Rusu as member of Board of Nominees taking into consideration the vacancy as a result of the resignation of Mr. Corin-Ioan Trandafir and the proposals made by the shareholders.

This item was adopted by 5,071,456,050 votes representing 89.48% of the valid votes. There were registered 584,844,618 valid votes against and 11,139,815 abstentions of the valid votes. There were 5,674,500 cancelled votes.

The results for the candidates are presented below as follows:

Candidate	For	Against	Abstention
1. Beze Laviniu Dumitru	12,755,723 representing 0.23% from the valid votes	5,505,800,112	7,251,650
2. Bradean Eugen	18,240,321 representing 0.33% from the valid votes	5,500,550,529	6,525,462
3. Panca Daniel	8,071,003 representing 0.14% from the valid votes	5,645,046,879	11,054,984
4. Povarnaru Daniel	0 representing 0.00% from the valid vote	584,852,640	5,080,463,284
5. Timoianu Florentin	537,147,328 representing 9.31% from the valid votes	5,230,392,405	338,600

III **The approval** of the mandate of Mrs. Grzegorz Maciej Konieczny, as the legal representative of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch to sign the decisions of the OGM as well as any other assembly-related documents and perform all the procedures and formalities provided by law for the purpose of fulfilling the decisions of the OGM, including the formalities for the publication and registration of these with the Trade Register Office and with any other public institutions. The person empowered by the OGM will have the right to delegate this empowerment to any person it deems as appropriate.

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Taking into consideration all the above mentioned, this decision was drafted and signed on behalf of the shareholders on 3 (three) originals by:

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Empowered by the Decision of the sole director of S.C. FONDUL PROPRIETATEA S.A., Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch no. 21/ 27 April 2011

Annex 8

Corporate Governance statement “Comply or Explain” for year 2011 According to BVB Corporate Governance Code

Principle/ Recommendation		Question	YES	NO	If NOT, please EXPLAIN
P19		Is the issuer managed under a dualist system?		X	Until 28 September 2010, S.C. Fondul Proprietatea S.A. was administered in a two-tier system, and after this date, an untypical unitary administration system was introduced, as regulated by Law no. 247/2005, as amended and supplemented. However, even is ruled after a one-tier system, the existence of the Board of Nominees that has the main duty to follow the execution of the Investment Management Agreement creates a similar framework as for a two tier system.
P1	R1	Has the issuer drawn up the By-laws/Corporate Governance Regulations to describe the main aspects of the corporate governance?	X		The Fund has clear and transparent corporate governance guidelines that were concluded in 2011
		The By-laws/Corporate Governance Regulations are posted on the company website, indicating the date of the last update?	X		The Constitutive Act of the Fund, the Investment Management Agreement, the Investment Policy Statement and the corporate governance guidelines are published on the webpage of the Fund.
	R2	In The By-laws/Corporate Governance Regulations are there defined the corporate governance structures, positions, components and responsibilities of the Board of Directors (BD) and of the executive management?	X		The Constitutive Act and the corporate governance guidelines define the corporate governance structures, positions, components and responsibilities of the Board of Nominees and of the Sole Administrator.
	R3	Does the issuer's Annual report provide for a chapter on corporate governance where they describe all the relevant events related to the corporate governance, recorded during the previous financial exercise?	X		The 2011 Annual report contains a detailed chapter on corporate governance in which all the relevant events related to the corporate governance recorded during the previous financial exercise are described.

Principle/ Recommendation		Question	YES	NO	If NOT, please EXPLAIN
P1	R3	Does the issuer circulate on the company website the information related to the following aspects of their corporate governance policy:	X		
		a) a description of their corporate governance structures?			
		b) the updated articles of incorporation?	X		
		c) the operation bylaws/essential aspects for each specialty?	X		
		d) the "Comply or explain" Statement?	X		
		e) the list of the Board of Directors ("BD") members mentioning which members are independent and/or nonexecutive, of the members of the executive management and those of the specialty commissions/committees?	X		
		f) a brief description of the CV for each BD member of the executive management?	X		
P2		Does the issuer abide by the rights of the financial instrument holders, providing them with the equal treatment and submitting to the approval any modification of the rights in the special meetings of these holders?	X		
P3	R4	Does the issuer publish in a spate part of the website the details of the General Meetings of Shareholders (GMS):	X		
		a) GMS summons?			
		b) materials/documents corresponding to the agenda as well as any information on the agenda?	X		
		c) special power of attorney forms?	X		
	R6	Has the drawn and proposed to GSM the procedures for the efficient and proper development of the GSM agenda without any damage to the right of any shareholder to express their free opinion on the debated topics?	X		
	R8	Does the issuer publish in a spate part of the website the details of the shareholders' rights as well as the regulations for the attendance at GSM?	X		
		Does the issuer provide the information in due time (immediately after the GSM) of all the shareholders through the separate section on their website:	X		
		a) on the decisions made within GSM?			
		b) on the detailed result of the vote?	X		

Principle/ Recommendation		Question	YES	NO	If NOT, please EXPLAIN
P3	R8	Do the issuers circulate through the special section of the website, that is easily identifiable and accessible:	X		
		a) current/communicated reports?			
		b) the financial schedule, the annual reports, the quarter and semester reports?	X		
	R9	Is there within the issuer's company a special department / person dedicated to the relation with the investors?	X		
P4, P5	R10	Does the BD meet at least once a trimester for the monitoring and the activity of the issuer?	X		
	R12	Does the issuer have a set of rules referring to the reporting conduct and obligations of the transactions of the shares or other financial instruments issued by the company ("company assets") made on their name by the directors and other persons?	X		
		If a BD member or a member of the executive management or any other person made on their interest a transaction with the company deeds, then, the transaction is circulated through the company website, according to the corresponding Regulations?	X		During 2011, there were no such transactions.
P6		Does the structure of the Board of Directors of the Issuer provide a balance between the executive and nonexecutive members (and especially independent nonexecutive directors) so that no person or group of persons may dominate the BD decision-making process of BD?	X		
P7		Does the structure of the Board of Directors provide a sufficient number of independent members?	X		
P8	R15	During their activity, does BD have the support of consultative commissions / committees for the examination of specific topics, chosen by BD for their counselling on these themes?	X		
		Do the consultative commissions/committees forward activity reports to the BD on their specific themes?	X		
	R16	For the assessment of the independence of their nonexecutive members, does the Board of Directors use the assessment criteria listed in the Recommendation 16?	X		
	R17	Do the BD members permanently improve their knowledge through training / formation in corporate governance?	X		

Principle/ Recommendation		Question	YES	NO	If NOT, please EXPLAIN
P9		Does the selection of the BD members have a procedure based on transparency (objective criteria regarding the personal/professional qualification etc.)?	X		Even though the Fund has such a procedure, as long as the Romanian State had majority in the General Meeting of Shareholders due to the voting rights restrictions the Romanian state imposed its candidates as members of the Board of Nominees.
P10		Is there an Appointment Committee within the company?	X		The name of the Committee is the Nominalization and Remuneration Committee.
P11	R21	Does the Board of Directors analyze at least once a year the need to register a remuneration/remuneration policy committee for the directors and members of the executive management?	X		
		Has the remuneration policy been approved by the GSM?	X		
	R22	Is there a Remuneration Committee made exclusively of nonexecutive directors?		X	The Nominalization and Remuneration Committee has three members and one of them is independent.
	R24	Is the company remuneration policy of the company provided in the Bylaws/ Corporate Governance Regulations?	X		
P12, P13	R25	Does the issuer circulate, in the English language, the information representing the subject of the reporting requirements: a) periodic information (providing information periodically)?	X		
		b) continuous information (providing information periodically)?	X		
		Does the Issuer provide and circulate the financial report according to IFRS?	X		
	R26	Does the issuer promote, at least once a year, meetings with the financial analysts, brokers, rating agents and other market specialists with the view to presenting the financial elements relevant to the investment decision?	X		
	R27	Is there an Audit Committee within the company?	X		
	R28	Does the BD of the Audit Committee, as the case may be, examine on regular basis, the efficiency of the financial report, the internal control and the control of the risk management system passed by the company?	X		
	R29	Is the Audit Committee made of nonexecutive directors and is there a sufficient number of independent directors?	X		The Audit Committee has three members and one of them is independent

Principle/ Recommendation		Question	YES	NO	If NOT, please EXPLAIN
P12, P13	R30	Does the Audit committee meet at least twice a year; are these meetings dedicated to drawing up and circulating the quarter and annual results to the shareholders?	X		
	R32	Does the Audit Committee recommend to BD the selection, appointment, re-appointment and replacement of the financial auditor, as well as the terms and conditions of their remuneration?	X		
P14		Has the BD passed a procedure with the view to identifying and settling adequately the conflicts of interests?	X		
P15	R33	Do the directors inform BD on the conflicts of interests as they occur and do they refrain from the debates and the vote on those matters, according to the legal provisions?	X		
P16	R34/ R35	Has the BD passed the specific procedures in order to provide their procedure accuracy (identification criteria of the significant transactions, relevant for transparency, objectivity, non-concurrence, etc.) for defining the transactions?	X		
P17	R36	Has BD passed a procedure of the internal circuit and the disclosure to third parties of the documents and information referring to the issued, with emphasis on the information that can influence the price of the assets issued by them?	X		
P18	R37/ R38	Does the issuer have activities regarding Social Responsibility and Company Environment?	X		The Fund plans to implement a new policy regarding Social Responsibility during 2012.



**Franklin Templeton Investment
Management Limited United Kingdom,
Bucharest Branch**
Premium Point (7th & 8th Floors)
78-80 Buzzești Street, 1st District
Bucharest 011017
Romania



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