



**Sole Director's Proposal for Profit Allocation for the Financial Year ended 31
December 2010**

PROFIT ALLOCATION PROPOSAL

Based on Fondul Proprietatea S.A.'s financial statements for the year ended 31 December 2010, prepared in accordance with Romanian Accounting Standards (National Securities Commission ("CNVM") Order no. 75/2005 as amended through CNVM Order no.11/2009) and taking into account the provisions of Romanian legislation, Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch in the capacity of Sole Director of Fondul Proprietatea S.A. proposes the following profit allocation which is consistent with the dividend policy stated in the Prospectus for Listing:

	Notes	
Result for the year - net profit (RON)		456,183,821
Mandatory transfer to legal reserves: 5% of gross profit (RON)	1.	23,369,371
Proposed transfer to other reserves (RON)	2.	<u>216,631,476</u>
Proposed dividend (RON)		216,182,974
Number of shares in issue		13,778,392,208
Proposed gross dividend per share (RON)		0.01569

Notes:

1. The Fund is obliged to make transfers to the legal reserves until those reserves reach a value equivalent to 20% of the value of the issued share capital of the Fondul Proprietatea. Following the 2010 transfer of RON 23,369,371, the value of those reserves was RON 102,524,308 (0.74% of the share capital).
2. Within the proposed transfer to other reserves, the amount of RON 216,612,865 represents the reversal of the impairment adjustments for financial assets recorded originally in 2006 and 2007 through the profit and loss account. In accordance with the dividend policy stated in the Prospectus for Listing, income of this nature would not normally be distributed as dividends. If this part of distributable 2010 profits is not distributed as dividends, they may increase the amount of reserves which can be used by the Fund in the buy-back program.



IMPORTANT MATTERS TO NOTE

There are some important points to note relating to any profit distribution in 2011. The following aspects should be carefully reviewed and considered by shareholders before taking any final decisions on dividend distribution.

Romanian Companies law states *“If a loss in net assets is incurred, the subscribed registered capital shall have to be restored or reduced (by allocation to the loss) prior to any profit assignment or distribution.”*

According to the provisions of CNVM Order no. 11/2009, since 2008 Fondul Proprietatea has recorded impairment adjustments for financial assets, in a separate negative reserve within shareholders' equity (instead of recording these losses directly through profit and loss, as is more common). Despite these losses in net assets, because of a provision of CNVM (Order no.11/2009), Fondul Proprietatea did not appear to be restricted in distributing dividends out of the 2008 and 2009 profits with effect from October 2010, and precedent could mean that the same would apply for the distribution of 2010 profits. However, if the impairment losses had been recorded through profit and loss account rather than the impairment reserve, none of these dividend distributions could have been paid.

The value of the negative reserve relating to the impairment adjustments of financial assets has varied since 2008 as follows:

- as at 31 December 2010 RON 2,369,140,506
- as at 31 December 2009 RON 3,441,563,626
- as at 31 December 2008 RON 3,981,590,342

Due to this negative reserve, total shareholders' equity at 31 December 2010 was RON 12,139,275,376, therefore it was lower by RON 1,639,116,832 than share capital at RON 13,778,392,208. These figures are disclosed in the balance sheet and the statement of changes in shareholders' equity in the 2010 statutory financial statements.

Since August 2010, Fondul Proprietatea has been regulated by CNVM and is governed by the capital market law. Consequently, a calculation of net assets is made according to that law. The capital market law states that *“the publication and the use of other measures or calculations for the value of the total net assets, the unitary value of the net assets and the number of holders of participation titles, except for those certified by the depositary shall be forbidden.”* On this basis, “net assets” can be defined as the net assets certified by the depositary as at 31 December 2010, which amounted to RON 15,328,167,848. This value of net assets is higher than the share capital of RON 13,778,392,208, due to the different valuation bases used in calculating these net assets compared to the basis used in the statutory financial statements.



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Therefore on the capital market law basis, no loss in net assets requiring adjustment to share capital would exist and the distribution of proposed dividends would be possible.

However, while this situation makes it possible for shareholders to approve this proposed allocation of the 2010 profit, it is important for shareholders to understand that continuing to pay dividends on this basis could lead to further erosion of Fondul Proprietatea's share capital.

We will update shareholders in case any further clarification is received from the relevant authorities.

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