

To

Bucharest Stock Exchange
Romanian National Securities Commission

The current report according to Art. 224 paragraph (5) and Art. 226 paragraph (1) of Law no. 297/2004 on the capital market, as amended and supplemented and article 99 of the Rulebook of the Bucharest Stock Exchange

Report date:	24 May 2012
Name of the issuing entity:	Fondul Proprietatea SA
Registered office:	78-80 Buzesti St., 7 th floor, district 1 Bucharest, postal code 011017
Phone/fax number:	Tel.: + 40 21 200 9600 Fax: + 40 21 200 9631
Sole Registration Code with the Trade Register Office:	18253260
Order number in the Trade Register:	J40/21901/2005
Subscribed share capital:	13,778,392,208 RON
Paid share capital:	13,412,780,166 RON
Regulated market on which the issued securities are traded:	Bucharest Stock Exchange

Important events to be reported – S.C. Fondul Proprietatea S.A. (“The Fund”): Information regarding the proposed plan for the secondary listing of the shares in SC Fondul Proprietatea SA on the Warsaw Stock Exchange:

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, as Sole Administrator and Fund Manager of Fondul Proprietatea hereby announces the proposed plan for the execution of the secondary listing of the shares in SC Fondul Proprietatea S.A. (the “Fund”) on the Warsaw Stock Exchange (the “WSE”), as reflected in the Annex.

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

Oana Truta

Legal Representative

Annex

SECONDARY LISTING OF FONDUL PROPRIETATEA ON THE WARSAW STOCK EXCHANGE

Franklin Templeton Investment Management Ltd. UK Bucharest Branch as Fund Manager and Sole Administrator of the Fondul Proprietatea (the “**Fund**”) would like to inform shareholders and investors about the proposed plan to execute the secondary listing of the shares of the Fund (the “**Shares**”) on the main market of the Warsaw Stock Exchange (the “**WSE**”) by the end of 2012 (this being the Fund’s objective as the final date of such secondary listing depends on the timing of the establishment of a direct or indirect link between the Polish and Romanian securities depository systems).

On 4 April 2012, the shareholders of the Fund approved, in principle, the secondary listing of the Shares on the WSE and the delivery of an instruction to the Fund Manager to present a specific plan to shareholders by not later than 31 May 2012 setting forth all the actions necessary for the listing of Fund’s Shares on the WSE, and to schedule a shareholders meeting to vote on all such necessary matters not later than 30 June 2012.

Following the shareholder approval, the Fund Manager finalized the selection process for the consortium of investment banks (the “**Consortium**”) which will assist the Fund, and hereby presents the proposed plan for the execution of the secondary listing of the Fund’s Shares on the main market of the WSE.

The Consortium that will provide proposals to the Fund on the secondary listing on the WSE includes J.P. Morgan and UniCredit Group as joint global coordinators (the “**Joint Global Coordinators**”) and KBC Securities as co-manager (the “**Co-Manager**”). At the recommendation of the Consortium, the listing of the Shares on the WSE will be achieved through first a technical listing (i.e. a listing without simultaneous offering of Shares), while new local (Polish) and foreign investors are to be attracted subsequently via one or more placements of Shares sold by existing shareholders of the Fund through accelerated placements and / or individual trades on the regular (open) market and facilitated by the Consortium.

Given the potential benefits of the secondary listing on the WSE for the Fund’s shareholders stemming from increased visibility and attracting additional demand for the Shares, following your approval, the Fund Manager will aim, subject to a number of factors, including the establishment of a direct or indirect link between the Polish and Romanian securities depository systems and market conditions, to complete the process by the end of 2012.

Rationale for the Secondary Listing

Following a detailed analysis of the advantages of a secondary listing and the analyses of several global investment banks, the Fund Manager published on 7 July 2011 its recommendation for the secondary listing on the WSE, which would be in the best long-term interest of the Fund and its shareholders for the following reasons.

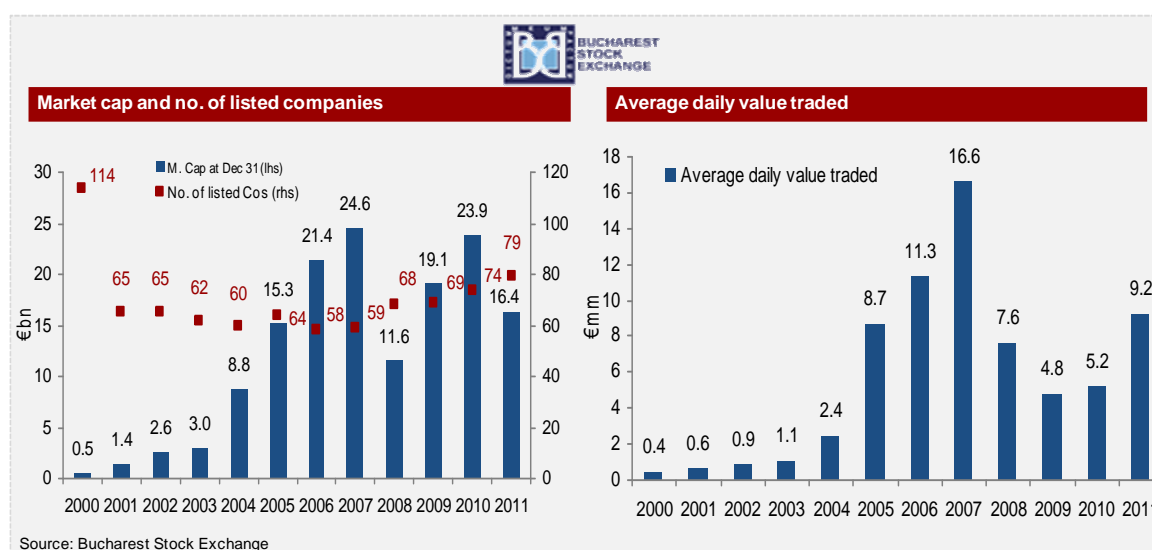
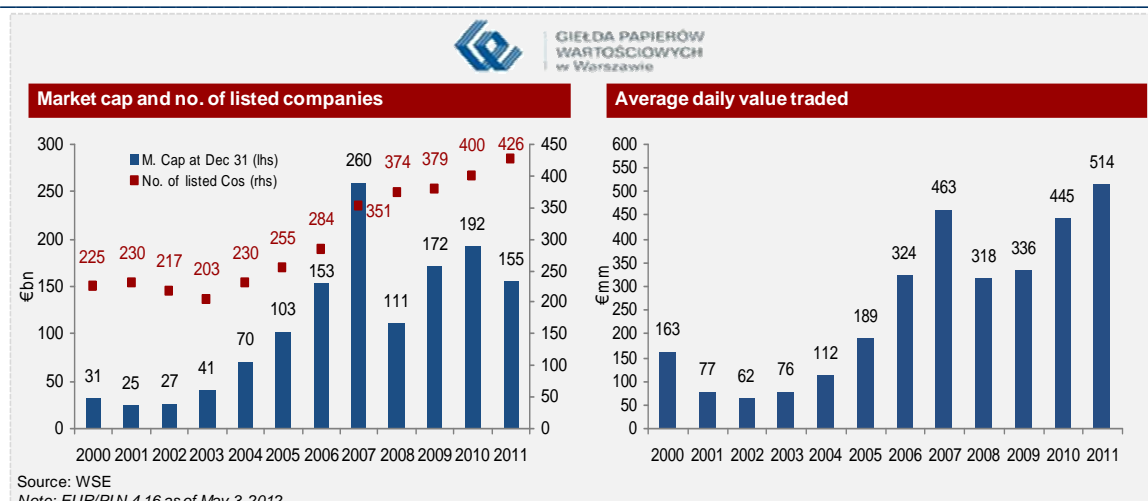
- The WSE has developed into a major European listing venue for some of the largest companies in Central and Eastern Europe, supported by a large and well developed domestic institutional investor base.
- The WSE was the third most active IPO market in the world in 2011, with almost 40 offerings.

- With a market value of over EUR 1.5 billion, the Fund aims to be among the top 15 largest companies listed on the WSE in terms of market capitalization and as such will benefit from increased visibility among international institutional investors, including Polish pension and mutual funds.
- The Fund should appeal to a broader investor base that is not currently investing in Romania, which should result in additional demand for the Fund's Shares and that can have an impact on valuation and liquidity.
- The Fund should benefit from broader research coverage from international brokers.
- Based on the analysis of the Consortium, due to the Fund's size, index inclusion of the Fund in the WIG index (the widest index of the WSE) could occur shortly after the listing, and the Fund could also potentially be included in the WIG 20 index (subject to market trading turnover). Inclusion in the WIG 20 index may in turn result in increased demand from institutional investors given that the performance of many funds is benchmarked against such index and against other funds at the end of each year. Inclusion in the WIG 20 index can take place during quarterly adjustments, on the third Friday of each March, June, September and December, based on rankings built after the last trading session of each January, April, July and October respectively, taking into account recent turnover on the WSE (the most recent 12 months accounting for a 60% weighting) and market value (accounting for a 40% weighting). In addition, for dual listed companies, the market value is corrected by the proportion of turnover in Warsaw and the proportion of turnover in the home market.
- Finally, costs associated with listing and ongoing reporting obligations on the WSE are less stringent (and more cost effective) than is the case with some other major markets.

Ultimately, the secondary listing would make the Fund visible and easily accessible for target investors that include Polish pension and mutual funds, as well as regional dedicated international investors and benchmark investors that are not active in Romania. For example, in terms of potential demand, the assets under management of the Polish pension funds were close to EUR 57 billion at the end of April 2012 and the average allocation to equities exceeds 33% or almost EUR 19 billion. Since the beginning of the pension program, the funds have received almost EUR 43 billion, while in 2012, the 14 domestic pension funds are expected to receive an additional EUR 2 billion from the Polish Social Security Institution ("PSSI")¹. The total equity purchases since the beginning of the year, of almost EUR 900 million, which represents 40% more than the transfers from the PSSI, underlines their strong appetite for equities. In addition, the assets under management for the Polish mutual funds exceeded EUR 27 billion at the end of 2011.

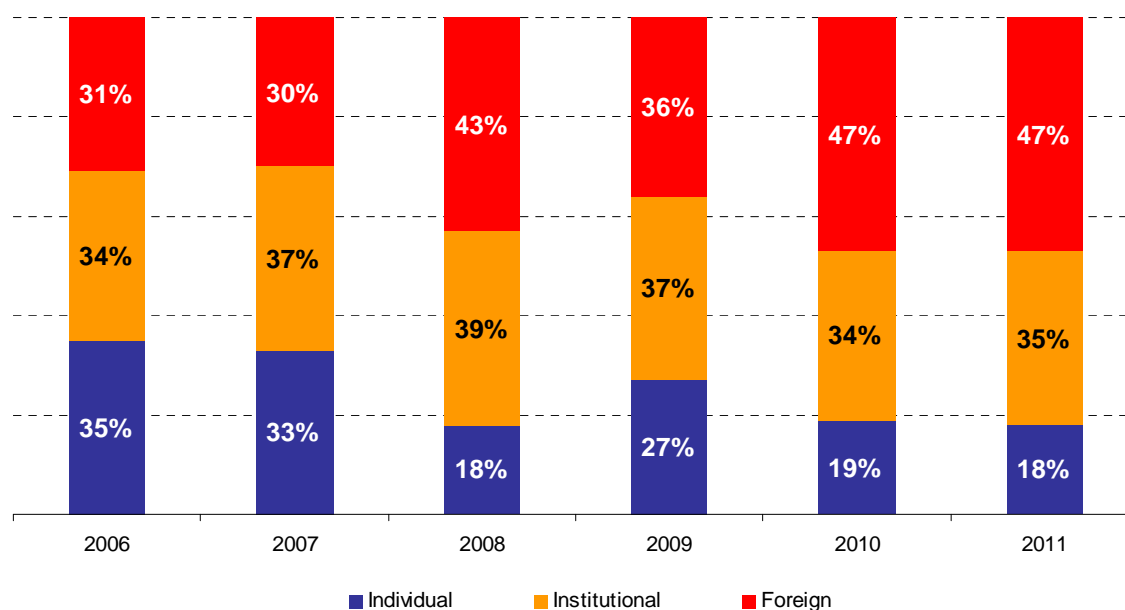
The impact of such significant fund base in the Polish market is best reflected in the tables below that provide a concise comparison between the Warsaw Stock Exchange and the Bucharest Stock Exchange for the 2000 to 2011 period with respect to their respective market capitalizations, the number of listed companies and the average daily value traded expressed in Euros.

¹ May 2012 brokerage reports



The table below also highlights the evolution of trade flows on the Warsaw Stock Exchange from international institutional investors, domestic institutional investors and retail investors for the period 2006-2011²

² The Warsaw Stock Exchange 2011 (www.gpw.pl)



The Plan for the Secondary Listing and Placement

The Consortium generally recommends that secondary listings be accompanied (or followed) by a sizeable placement of shares on the new listing venue – such a “liquidity event” is needed to raise awareness, to attract additional demand, and to boost the initial secondary trading activity in the new listing venue. As stated previously, a secondary public offering of the Fund’s Shares on the WSE to be initially purchased by the Fund from current shareholders within the frame of the buy-back programme was our initial preferred approach, but, as there are some discrepancies in the interpretation of the current Romanian legislation concerning buy-back and related issues, after discussing these discrepancies with the Romanian National Securities Commission the “CNVM”) we have decided not to pursue a secondary public offering route for the time being. We will continue this dialogue with CNVM in the hope of creating further strategic options for the Fund in the future, but the current state of discussions leads us to believe that there is unlikely to be a material change to that position within the timeframe in which we feel the secondary listing is needed.

Nonetheless, after consultation with the Consortium, we have settled on an approach which we believe can achieve the Fund’s primary goals, through two main steps:

1. **Technical listing, i.e. admission and introduction to trading on the WSE** based on an information memorandum (“**Listing Memorandum**”), which need not be approved by any regulatory body, assuming the Fund complies with the relevant exemption from the obligations to prepare, obtain the approval of (from regulatory body) and publication of a listing prospectus compliant with the European Union’s Prospectus Directive (the “**EUPD**”). This exemption is available to listed companies in EU member countries if they fulfill any one of the following conditions listed in Article 4.2.h) of the EUPD:
 - *Their securities have been admitted to trading on another regulated market (the Bucharest Stock Exchange in the case of the Fund) for more than 18 months; or*
 - *The first-time admission of these securities to trading on another regulated market (the Bucharest Stock Exchange in the case of the Fund) occurred after 31*

December 2003 and was preceded by the approval of an issue prospectus available to the public in accordance with the relevant regulations; or

- *The listing circular made available to the public in connection with such admission, which occurred between 1 July 1983 and 31 December 2009, being drawn up and approved in compliance with EU laws in force at that time; or*
 - *They fulfill the obligations related to the admission to trading on such other regulated market (the Bucharest Stock Exchange in the case of the Fund).*
- *The above exemption should become available to the Fund **starting from 25 July 2012**, from which date the Fund could list all of its Shares on the WSE without the necessity to prepare, obtain the approval of from the CNVM and publication of a listing prospectus, instead requiring only publication of a Listing Memorandum.*

“Listing Memorandum”:

- There is no requirement to approve it by any regulatory body in any country and its content (governed by Polish law in the case of a secondary listing in Poland) is very limited in comparison to a listing or offering prospectus compliant with the full requirements of EUPD and is therefore much simpler and quicker to prepare than an EUPD prospectus and therefore involves significantly less time and associated legal / advisory / audit costs;
- By its nature, a Listing Memorandum is a listing document, not an offering document.

2. **Facilitating liquidity on the WSE after the technical listing of the Fund’s Shares.**

Following the technical listing on the WSE, the Fund and the Consortium will seek to support the diversification of the Fund’s shareholder base by: marketing the Shares to Polish and international investors – via (some) members of the Consortium issuing/ updating research reports on the Fund, holding investor meetings for the Fund’s management and facilitating accelerated bookbuilding placements or individual trades on the WSE addressed to Polish and international institutional investors active on the WSE.

This is the preferred route because, in such scenario, the banks in the Consortium could conduct their activities in a manner which remains outside the concept of a “public offering” in the relevant jurisdiction (i.e. Poland) and, therefore, should not require the creation of any full length disclosure document, i.e. a prospectus approved by regulatory authorities or in case of a fully documented private placement an international offering circular distributed privately to a limited number of investors, nor does it require a full due diligence review from the Fund’s auditors or lawyers (and therefore does not trigger additional expenses for the Fund).

The alternative route is to prepare a new, full disclosure EUPD prospectus: this may become appropriate in the future if the opportunity arose for a public offering of shares by the Fund (through developments in Romanian legislation / CNVM interpretation) or if feedback from investors encouraged an update of the Fund’s existing prospectus to refresh the data and the Fund’s ‘story’ in one place. However, based on feedback to date, we do not foresee either of these factors changing in the timeframe we have in mind.

Accelerated Book Building (following a technical listing based on a Listing Memorandum)	
Execution	<ul style="list-style-type: none"> ■ Short bookbuilding period (between 1 and 2 days) ■ Scope of marketing dependent on size of placement and market conditions
Pricing	<ul style="list-style-type: none"> ■ Disposal price likely to be close to the prevailing market price, but at a discount
Advantages	<ul style="list-style-type: none"> ✓ Speed – execution takes between 1 and 2 days; Preparation will take up to 3-4 weeks ✓ Flexibility on launch timing ✓ Fees and legal costs lower than for full prospectus ✓ Reduced exposure to market volatility ✓ Simpler documentation than for full disclosure EUPD prospectus ✓ No regulatory approvals required
Disadvantages	<ul style="list-style-type: none"> ✗ No early market education compared to full prospectus ✗ Limited time to “market” investment case of the Fund ✗ Lack of a public offering, no retail investors involved

Depository Connection

It is important to note that, in order to achieve a successful secondary listing and appropriate liquidity in the after-market, it is essential **for the Shares to be fully fungible across the two markets**. This requires the establishment of a direct or indirect link between the depository systems of the two markets (Romanian Central Depository (the “**Romanian DC**”) and the Polish National Depository of Securities (the “**Polish NDS**”)), so that trades in the Shares can be settled between trading platforms. The Romanian DC – Polish NDS link is not yet set up. The timing for setting the connection will affect the timetable of our envisaged listing project.

Consortium Composition and Scope of Work

The Consortium to provide proposals to the Fund on the secondary listing project and to execute the transaction includes:

- J.P. Morgan Securities Ltd.– as Joint Global Coordinator;
- UniCredit Group via UniCredit Bank AG, London Branch, and UniCredit CAIB Poland S.A. as Joint Global Coordinators, and UniCredit CAIB Securities Romania S.A., UniCredit CAIB Romania S.R.L as Romanian Agents;
- KBC Securities N.V. (Spółka Akcyjna)-Oddział w Polsce as Co-Manager.

The Consortium's main duties will include:

- Project management;
- Supporting the Romanian DC and Polish NDS in relation to setting up the connection between the markets;
- Transaction structuring;
- Coordination of due diligence;
- Coordination / preparation of road-shows / marketing materials / PR and IR activities, as needed;
- Facilitation of accelerated placements and / or individual trades on the regular (open) market and related pricing / trading / settlement activities; and
- Review of relevant legal agreements, if and when applicable.

Consortium's Fee

The fees payable to the Consortium consist of a “**Listing Fee**” in respect of the services provided for the technical listing, and an “**Incentive Fee**” payable in respect of each share placement on the WSE, provided certain thresholds are met. The Consortium's total fees and expenses will be capped at €1.075 million (net of VAT and any other applicable taxes).

For more information on the secondary listing on the WSE, please visit the Fund's webpage at www.fondulproprietatea.ro, in the <<Investor Relations / GSM Information>> section.

We note that the analysis in this paper is in accordance with our understanding of the current applicable laws and regulations and the relevant authorities' interpretation thereof, which can change over time.