

15 November 2011

QUARTERLY REPORT

for the quarter ended
30 September 2011

prepared in accordance with
CNVM Regulation no. 1/2006

(This is a translation from
the official Romanian version)



FONDUL
PROPRIETATEA



S.C. FONDUL PROPRIETATEA S.A.



**FRANKLIN TEMPLETON
INVESTMENTS**

Contents

Company Information	2
Overview	3
Significant Events	5
Analysis of the Activity of the Fund	8
Financial Analysis	13
Annexes	
Annex 1 Statement of Assets and Obligations of Fondul Proprietatea S.A. as at 30 September 2011, including the Detailed Statement of the Investments, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)	18
Annex 2 Condensed Separate Financial Statements for the nine month period ended 30 September 2011, prepared in accordance with International Financial Reporting Standards (“IFRS”).....	22
Annex 3 Balance Sheet and Income Statement as at 30 September 2011, prepared in accordance with the National Securities Commission (“CNVM”) Regulation 4/2011 regarding accounting regulations compliant with EEC Directive IV, applicable to the entities authorised, regulated and monitored by the CNVM (“Romanian Accounting Regulations”)	48

Company Information

- 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 vehicle.
- 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 and investment in Romanian equities or equities-linked securities.
- The Sole Administrator of the Fund is Franklin Templeton Investment Management Limited UK, Bucharest Branch (“FTIML” or “Fund Manager”), effective since September 2010.

Stock Data (as at 30 September 2011)

BVB ¹ Symbol	FP
Market Price ²	RON 0.4400
Price Range ³	RON 0.3950 – RON 0.6750
NAV/Share ⁴	RON 1.0902
Discount	59.6%
Par Value/Share	RON 1.0000
Shares in Issue	13,778,392,208
Shares Corresponding to Paid in Capital	13,405,864,536

Shareholder Structure⁵ (as at 30 September 2011)

Shareholder Categories	% of Subscribed Share Capital
Ministry of Public Finance	4.88%
Romanian Private Individuals	37.08%
Foreign Institutional Shareholders	35.99%
Foreign Private Individuals	9.14%
Romanian Institutional Shareholders	8.57%
Treasury Shares ⁶	1.64%
Unpaid Shares ⁷	2.70%

There were 10,694 shareholders on 30 September 2011.

Contact Details

Address 78–80 Buzești Street (7th floor), District 1,
Postal Code 011017, Bucharest, Romania.

Website www.fondulproprietatea.ro

E-mail investor.relations@fondulproprietatea.ro

Telephone +40 21 200 9600

Fax +40 21 200 9631/32

1. Bucharest Stock Exchange (“BVB”)

2. Source: BVB, closing price as at 30 September 2011

3. Source: BVB, for the period 25 January–30 September 2011

4. As at 30 September 2011

5. Source: Central Depository

6. 225,921,677 shares acquired by the Fund through buy backs

7. Shares unpaid by Ministry of Public Finance

Overview

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, as Sole Administrator and Fund Manager of Fondul Proprietatea presents the results of the Fund for the quarter ended 30 September 2011, with unaudited net losses of RON 7.9 million (for the quarter ended 30 September 2010 there was a net profit of RON 60.1 million) and total shareholders' equity of RON 11,328.4 million (30 June 2011: RON 12,789.5 million). For the 9-month period ended 30 September 2011 the net profit was RON 535.3 million (for the 9-month period ended 30 September 2010 there was a net profit of RON 270.6 million).

The main contributing factors to the loss in the third quarter of 2011 are the lack of the dividend income (as the dividend stream from portfolio companies followed the normal pattern for Romanian companies, where dividends are usually declared in the second quarter of the year) and a lower level of interest income compared to 2010. The positive result in the third quarter of 2010 was due to exceptional dividends distributed by two of the Fund's portfolio companies in that period and higher interest income levels.

The Fund reported a Romanian National Securities Commission ("CNVM") net asset value ("NAV") as at 30 September 2011 of RON 14,616.2 million (a decrease of 9.9% since 30 June 2011) or RON 1.0902 per share (a decrease of 7.2% since 30 June 2011).

The downward trend of Fund's NAV performance in the third quarter of 2011 was correlated with the overall conditions on the Bucharest Stock Exchange, which was reflected in the valuation of the listed part of the Fund's portfolio.

The discount of share price to NAV was 59.6% as at 30 September 2011. In the third quarter of 2011, the discount has ranged between 54.4% and 62.80%.

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

	Note	Quarter ended 30 September 2011	Half-year ended 30 June 2011	Change %
Total Shareholders' Equity (RON bn)	a	11.3	12.8	-11.7%
Net Asset Value (RON bn)	b	14.6	16.2	-9.9%
Net Asset Value per Share (RON)	b	1.0902	1.1754	-7.2%
Net Asset Value Total Return	c	-7.2%	+8.4%	—
Share Price (RON)		0.4400	0.5350	—
Share Price Total Return	c, d	-17.8%	-12.7%	—
Share Price – High	e	0.5360	0.6495	—
Share Price – Low	e	0.4300	0.4850	—
Gross Dividends Declared (RON per share)		—	0.03141	—
Share Price Discount to Net Asset Value		59.6%	54.5%	—

Source: Franklin Templeton Investments 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) Half-year ended 30 June 2011 return was computed for the period from listing on 25 January until 30 June; Quarter ended 30 September 2011 return was computed for the period 30 June until 30 September
- (e) Closing prices quoted by the BVB

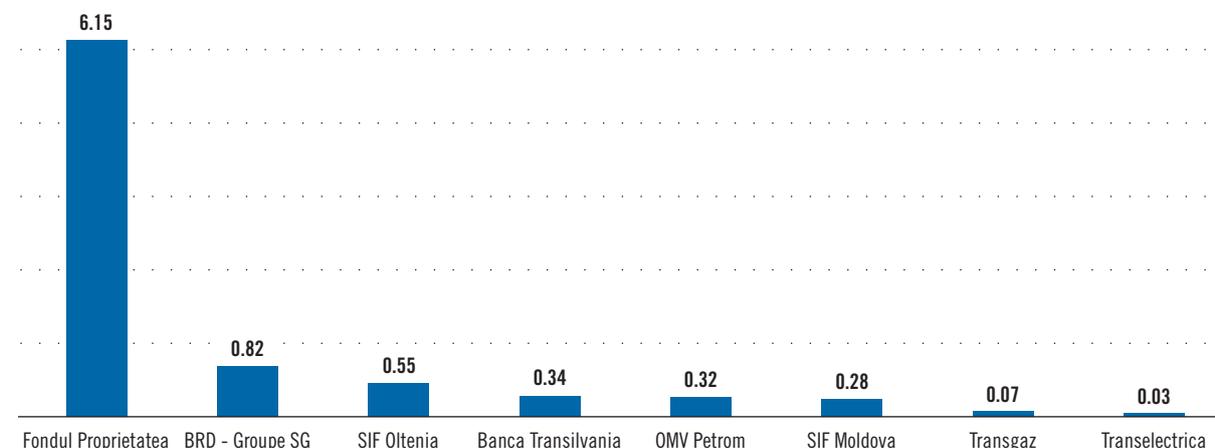
The NAV (calculated according to CNVM Regulations) is higher than the Shareholders' Equity value (calculated according to Romanian Accounting Regulations) principally due to the different valuation methodologies applied to financial assets, as illustrated in the following table:

	CNVM Regulations	Romanian Accounting Regulations
Listed securities	Valued at closing quoted market prices	Valued at cost less adjustments for impairment
Unlisted or illiquid listed securities	Valued as per latest issued financial statements of the security (proportionally with the stake held) or using fair valuation techniques	Valued at cost less adjustments for impairment

Significant Events

BVB Trading

Average Daily Turnover in Quarter 3 2011



Fund's Share Price in Quarter 3 2011 (RON/share)



Investor Relations Update

The Fund Manager continued its efforts to raise the Fund's profile among a broader international institutional investor base and ensure a deeper understanding of the Fund's portfolio companies. In addition to the semi-annual results conference call for local and international analysts and institutional investors, the Fund Manager has organized a U.S. road-show and participated in global and regional emerging market conferences to further educate investors about the Fund. Additionally, in order to increase the transparency at the portfolio level, the Fund published the annual reports, financial statements, and auditor's reports for its top 20 portfolio companies, which account for almost 90% of the NAV. Enhancing communication between the Fund Manager and investors remains one of the key objectives in order to inform investors about the latest developments and obtain their feedback in order to maximize shareholder value going forward.

Secondary Listing

In July 2011, following a six-month analysis and discussions with eight leading investment banks, the Fund Manager announced its recommendation to pursue a secondary listing of the Fund on the Warsaw Stock Exchange.

The Warsaw Stock Exchange has developed into a major venue for the Central and Eastern European region's largest companies, offering a diverse institutional investor base as well as strong demand from local investors, especially Polish pension funds. With a market capitalisation of almost USD 2 billion, the Fund would be in the top 15 companies among the firms listed on the main market of the WSE, thus giving it a very high visibility and the possibility of being included in the WIG index, which would in turn attract local and international benchmark investors. In some other markets, indices exclude non-local issuers.

The secondary listing would ideally be combined with an offering of 10% of the existing shares in order to facilitate stronger investor interest in the Fund. Through the secondary listing, the Fund would benefit from an increased visibility among international institutional investors and it will facilitate easy access into the Fund for a broader investor base, which is not currently investing in Romania. Investors would also benefit from additional insight and analysis of the portfolio companies through increased research coverage from a larger number of international brokers. Therefore, the secondary listing would be a major step forward in the development of the Fund as well as a major milestone in the development of the Romanian capital market and is in the best long-term interest of all shareholders.

During the third quarter, the Fund Manager has started the process to select the investment bank/ consortium to sponsor the secondary listing on the Warsaw Stock Exchange and has met with the market regulators and central depositories in Romania and Poland. The Fund Manager has considered various methods to accumulate the shares for the offering, including acquiring shares by tender offer, by buy-back, or by other means. The feasibility of some of these methods is dependent on interpretation of some aspects of Romanian law and regulation which have not been widely examined in practice. Therefore, supportive guidance from CNVM is considered important to allow the Fund Manager to finalise the plans for structuring the offering on the Warsaw Stock Exchange and to then conclude the selection process of the investment bank to implement those plans. From CNVM's initial feedback on the theoretical examples and the possible interpretations presented by the Fund Manager, it appears there are more potential obstacles than first envisaged. The discussions are ongoing and the Fund Manager remains committed to working with CNVM to reach a constructive outcome which will lead to further development of the Romanian market. After completion of the selection process, the approval of the Board of Nominees and shareholders will be necessary to move forward with the transaction. Trading on the WSE is targeted for the first half of 2012, upon successful completion of the regulatory requirements and the placement.

Buy-Back Programme Update

The buy-back programme initiated in the first half was completed by the end of the third quarter. Per the 31 December 2010 financial statements, the Fund had RON 120.3 million in available reserves that could be used for the share buy-backs. During the programme, 240.3 million shares equivalent to 1.79% of the Fund were bought back at an average price of RON 0.4994 for a total amount of RON 120.3 million (shares already settled as at 30 September 2011: 225.9 million).

New Depository Bank

On 18 August 2011, ING Bank N.V. Amsterdam, Bucharest Branch, became the new depository bank of the Fund, replacing Bancpost S.A.

Subsequent Events

On 19 October the Fund published the convening notice for the GSM to take place on 23 November 2011. The agenda for the meeting includes the following:

- Amending the Constitutive Act:
 - 1 share = 1 vote without any restrictions
 - introducing electronic voting
 - the third legal representative of the Fund Manager
 - clarifying the duties of the Fund Manager
 - clarifying the limits for investment policy
- The decrease of the registered share capital of S.C. Fondul Proprietatea S.A. from RON 13,778,392,208 to RON 13,538,087,407, pursuant to the cancellation of 240,304,801 treasury shares.
- The approval of Addendum no. 1 to the Management Agreement signed on 25 February 2010 between S.C. Fondul Proprietatea S.A. and Franklin Templeton Investment Management Limited (“Management Agreement”): the periodicity of payment and the calculation applied to entire period, not only to the last 90 days of trading of the year. The addendum will be effective beginning with 1 January 2012.
- The appointment of Deloitte Audit S.R.L. as the financial auditor of the Fund for the 2011 financial statements.
- The approval of the 2012 Budget of the Fund.

If the quorum conditions are not met for the first meeting, the second meeting will take place on 25 November 2011, with the same agenda.

Analysis of the Activity of the Fund

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 net asset value per share in accordance with CNVM regulations no later than 15 calendar days after the reporting month end.

All of the NAVs are published on the Fund’s website at www.fondulproprietatea.ro, together with share price and discount information.

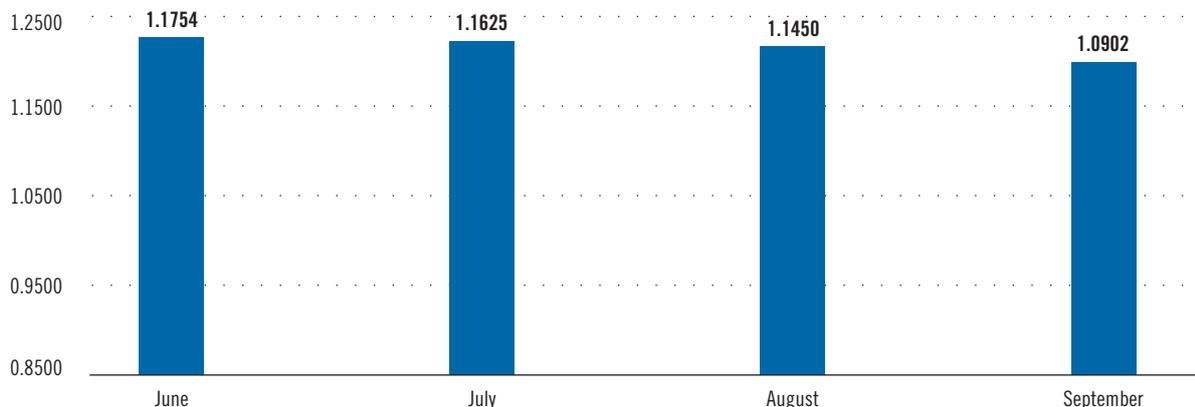
NAV Methodology

The Fund Manager has previously reported the significant beneficial changes to the NAV methodology which came into effect in late 2010. During November 2010, CNVM Regulation 4/2010 was amended by the 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 in the period 30 June 2011 to 30 September 2011:

NAV/share (RON/share)

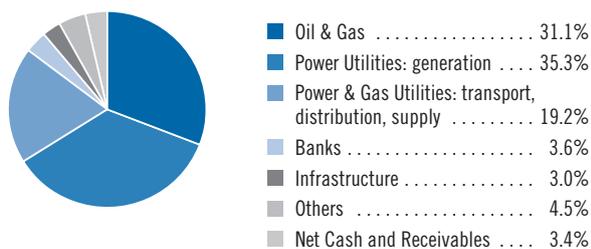


The Fund’s NAV per share decreased by 7.2% between 30 June 2011 and 30 September 2011 to RON 1.0902, principally because of the fall of the prices of listed securities, mainly OMV Petrom, following the general trend of capital markets.

Investment Strategy and Portfolio Analysis

The Fund’s investment objective is long-term capital appreciation, primarily through investments in Romanian equity and equity-linked securities. The equity exposure amounted to 96% of the Fund’s NAV as at 30 September 2011. As of that date the portfolio included holdings in 77 companies (29 listed and 48 unlisted), a combination of privately-held and state-controlled entities. During the third quarter of the year, the percentage share which the Fund held in its investments ranged from less than 1% up to 100%.

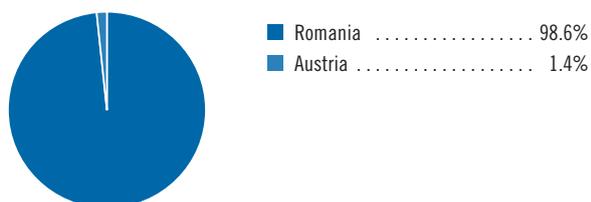
Portfolio Structure–by Sector



- The portfolio remained heavily weighted in power, oil and gas sectors (approx. 86% 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 30 September 2011, based on NAV submitted to CNVM.

Portfolio Structure–by Country



- Exposure to Austria includes holdings in Erste Bank and Raiffeisen Bank.

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 30 September 2011, based on NAV submitted to CNVM.

Portfolio Structure–by Asset Type



- The largest unlisted company is Hidroelectrica (36% of the total value of unlisted companies in the portfolio).
- The largest listed company is OMV Petrom (68% of total value of listed companies in the portfolio).

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 30 September 2011, based on NAV submitted to CNVM.

Top 20 Equity Investments

No.	Name	Fund's Stake (%)	Value as at 30 September 2011 (RON million)	% of NAV
1	Hidroelectrica S.A.	19.94%	3,340.40	22.85%
2	OMV Petrom S.A.	20.10%	3,223.69	22.06%
3	Romgaz S.A.	14.99%	1,220.24	8.35%
4	Nuclearelectrica S.A.	9.72%	735.05	5.03%
5	Complexul Energetic Turceni S.A.	24.78%	522.60	3.58%
6	Transgaz S.A.	14.98%	342.34	2.34%
7	GDF Suez Energy Romania S.A.	12.00%	338.71	2.32%
8	ENEL Distributie Muntenia S.A.	12.00%	337.24	2.31%
9	CN Aeroporturi Bucuresti S.A.	20.00%	322.41	2.21%
10	ENEL Distributie Banat S.A.	24.12%	316.72	2.17%
11	Complexul Energetic Rovinari S.A.	23.60%	290.23	1.98%
12	BRD – Groupe Societe Generale S.A.	3.60%	276.40	1.88%
13	Alro S.A.	10.20%	271.77	1.86%
14	Complexul Energetic Craiova S.A.	24.35%	266.80	1.83%
15	Electrica Distributie Muntenia Nord S.A.	21.99%	238.10	1.64%
16	E.ON Moldova Distributie S.A.	22.00%	220.77	1.51%
17	ENEL Distributie Dobrogea S.A.	24.09%	218.67	1.50%
18	Electrica Distributie Transilvania Sud S.A.	21.99%	183.55	1.25%
19	Electrica Distributie Transilvania Nord S.A.	22.00%	170.85	1.17%
20	Transelectrica S.A.	13.49%	170.20	1.15%
Top 20 portfolio holdings			13,006.74	88.99%
Total financial assets (portfolio holdings)			14,117.03	96.58%
Net cash and receivables			499.19	3.42%
Total NAV			14,616.22	100.00%

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 30 September 2011, based on NAV submitted to CNVM.

Key Portfolio Developments in the Period

Acquisitions and Disposals

In the third quarter of 2011, the Fund increased its exposure to Alro S.A., Azomures S.A., Banca Transilvania S.A., BRD Groupe Societe Generale S.A. and Conpet S.A.

The Fund sold its entire holdings in Vitacom S.A. on open market.

Information on the Top 20 Portfolio Companies

Complexul Energetic Craiova, Complexul Energetic Rovinari, Complexul Energetic Turceni

September/October 2011: The Government repealed its previous decision regarding the reorganization of the electricity generation sector by creating “two champions”: Electra and Hidroenergetica. The Government approved the creation of CE Oltenia by merging CE Turceni, CE Rovinari and CE Craiova with SNLO, a state-owned coal mine operator, as an alternative plan for the restructuring of the electricity generation sector.

GDF Suez Energy Romania

September 2011: After the approximately 10% increase in gas prices for industrial consumers at the beginning of July 2011⁸, ANRE hiked again the prices for the same category of consumers on 22 September 2011⁹ by an additional 8%. Gas prices for residential consumers were kept unchanged.

Hidroelectrica

September 2011: The Government repealed its previous decision regarding the reorganization of the electricity generation sector by creating “two champions”: Electra and Hidroenergetica. Due to severe drought, the management of the company decided to activate the force majeure clause on all its commercial contracts. The news is negative for the company and the drought experienced this year will lead to lower expected revenues and profits.

Nuclearelectrica

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

OMV Petrom

July 2011: Company 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: 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.

August 2011: Results for the first half of 2011 showed sales +23% to RON 10.27 billion compared to the first half of 2010, EBIT +44% to RON 2.41 billion and net income +14% to RON 1.74 billion.

Transelectrica

September/October 2011: During the months of September and October 2011, the Ministry of Economy 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 with the offering.

Transgaz

July 2011: The company announced the value of the Regulated Asset Base at the beginning of the second regulatory period, i.e. RON 1,860 billion as well as the levels of the investments for each year until 2011. The estimated level of the Regulated Asset Base for 2010 was RON 2,269.8 billion.

September 2011: Company announced that Sibiu Court denied the request made by “Gaz Romania” Labour Union. The Labour Union has requested a presidential injunction in order to suspend the decision taken by the 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.

8. ANRE order 29/24.06.2011 published in the Official Gazette on the 1st July 2011

9. ANRE order 37/21.09.2011 published in the Official Gazette on the 22nd September 2011

Changes affecting the capital of the Fund

At the beginning of the third quarter, the subscribed capital of the Fund was RON 13,778,392,208 and the paid-up capital was RON 13,756,955,963.

During the third quarter of 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 34/23 August 2011 and acknowledged that 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 S.A. and from the increase of share capital of SC Plafar S.A. with the amount of RON 21,436,245 (representing the value of 21,436,245 shares of the Fund unpaid by Romanian State represented by the Ministry of Public Finance as of 22 August 2011).
- The Fund Manager issued the Decision 35/23 August 2011 and confirmed that the shareholder Romanian State represented by the Ministry of Public Finance had failed fulfilling the obligation of the transfer of 2,951,053 shares of CN Romarm, subsidiary Uzina Mecanica Bucuresti S.A. 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 had failed fulfilling the obligation of the transfer of 19,226,031 shares of Nuclearelectrica to the Fund, with a value of RON 340,796,918.

As a result of the three decisions above, the subscribed capital of the Fund remained unchanged at RON 13,778,392,208 and the paid-up capital was reduced to RON 13,405,864,536.

There are ongoing litigations to recover the unpaid capital.

Financial Analysis

The unaudited Balance Sheet and Income Statement for the nine month period ended 30 September 2011 prepared in compliance with Romanian Accounting Regulations are included in full in Annex 3 to this Report.

This section provides a commentary on the principal elements of the Fund's financial position and results in the quarter ended 30 September 2011.

Balance Sheet

	31 December 2010 Audited RON million	30 June 2011 Unaudited RON million	30 September 2011 Unaudited RON million
Financial assets	10,890.5	12,003.1	10,829.2
Non-current assets – total	10,890.5	12,003.1	10,829.2
Current assets – total	1,332.4	1,045.9	567.9
Prepaid expenses	—	0.1	0.1
Payables within one year	69.3	245.4	54.6
Total assets less current liabilities	12,153.6	12,803.7	11,342.6
Provisions	14.4	14.2	14.2
Shareholders' equity	12,139.2	12,789.5	11,328.4

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 impairment.

The value of financial assets decreased by RON 1,173.9 million in the third quarter of 2011. The decrease was mainly due to impairment adjustments for listed equity investments recorded during the quarter (principally for OMV Petrom). The acquisitions of listed equity investments in Romania had a positive impact.

The drop in **current assets** of RON 478.0 million was mainly related to the decrease of cash balances due to the acquisition of listed equity investments, the funding of buy-backs and to the payment of the 2010 dividend and related taxes.

Payables decreased by RON 190.8 million, mainly accounted for by the payment of the 2010 dividend and related taxes.

Income Statement

	Quarter 3 2010	9-month period ended 30 September 2010	Quarter 3 2011	9-month period ended 30 September 2011
	Unaudited RON million	Unaudited RON million	Unaudited RON million	Unaudited RON million
Revenues from current activity, out of which:	97.4	365.1	2.3	595.9
Revenues from financial assets	36.1	209.3	(3.7)	509.5
Interest income	57.9	111.3	5.4	34.5
Reversal of impairment adjustments & provisions	0.9	0.9	—	28.8
Revenues from disposal of financial assets	—	—	0.2	9.9
Revenues from foreign exchange differences	2.3	43.4	0.1	1.5
Other income from current activity	0.2	0.2	0.3	11.7
Expenses from current activity, out of which:	32.2	82.4	11.0	59.4
Expenses from disposal of financial assets	—	—	0.2	4.1
Expenses from foreign exchange differences	14.9	55.7	0.3	0.9
Depreciation, provisions, losses from receivables and sundry debtors	—	0.1	—	11.7
Commissions and fees	2.4	2.4	4.4	13.4
Other expenses from current activity*	14.9	24.2	6.1	29.3
Gross profit	65.2	282.7	(8.7)	536.5
Income tax expense	5.0	12.1	(0.8)	1.2
Net profit/(Loss)	60.2	270.6	(7.9)	535.3

* 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. In Romania, companies typically declare dividends in the second quarter of the year, which explains the lack of dividend income in the third quarter of 2011.

The RON 3.7 million negative figure recorded in the third quarter of 2011, represents the reversal of an element of dividend accrual recorded in the second quarter of 2011.

In the third quarter of 2010, two of the portfolio companies, E.ON Gaz Romania and E.ON Gaz Distributie declared special dividends.

Interest income arises from deposits held with banks and from treasury bills. The significantly lower level of income in the third quarter of 2011 as compared to the same period in 2010 is a reflection of the lower level of interest yielding assets 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.

In 2011, **other income from current activity** principally includes penalties levied by the Fund for late payment of dividends and litigation expenses recovered (in the third quarter of 2011, these mainly related to the 2005 Transgaz dividend receivable).

Commissions and fees in the third quarter of 2011 mainly included CNVM's 0.1% per annum fee, calculated based on the Fund's NAV, amounting to RON 3.9 million and the depositary banks' fees of RON 0.4 million.

Other expenses from current activity can be analysed as follows:

	Quarter 3 2010	9-month period ended 30 September 2010	Quarter 3 2011	9-month period ended 30 September 2011
	Unaudited RON million	Unaudited RON million	Unaudited RON million	Unaudited RON million
FTIML investment management and administration fee	0.4	0.4	4.8	25.0
Salaries and similar expenses	1.2	3.8	0.2	0.7
Stamp duties for litigations	1.3	5.2	—	0.1
Success fee due to Fund's advisor & related VAT	9.2	9.2	—	—
Other expenses	2.8	5.6	1.1	3.5
Other expenses from current activity	14.9	24.2	6.1	29.3

These expenses decreased overall in the third quarter of 2011 by RON 8.8 million as compared to the same period in 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).

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. 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 capitalisation of the Fund.

The higher charge in the prior period for stamp duties was related to actual litigation activity principally related to the litigation with the Romanian State concerning the privatization of BCR.

Analysis of 2011 Income Statement by Quarters

Although this report is required to cover the quarter ended 30 September 2011, the following split has been prepared to illustrate also the actual results per quarter in 2011.

	Quarter 1 2011	Quarter 2 2011	Quarter 3 2011	9-month period ended 30 September 2011
	Unaudited RON million	Unaudited RON million	Unaudited RON million	Unaudited RON million
Revenues from current activity, out of which:	33.3	560.3	2.3	595.9
Revenues from financial assets	—	513.2	(3.7)	509.5
Interest income	17.3	11.8	5.4	34.5
Reversal of impairment adjustments & provisions	9.8	19.0	—	28.8
Revenues from disposal of financial assets	0.1	9.6	0.2	9.9
Revenues from foreign exchange differences	1.1	0.3	0.1	1.5
Other income from current activity	5.0	6.4	0.3	11.7
Expenses from current activity, out of which:	18.5	29.9	11.0	59.4
Expenses from disposal of financial assets	—	3.9	0.2	4.1
Expenses from foreign exchange differences	0.3	0.3	0.3	0.9
Depreciation, provisions, losses from receivables and sundry debtors	—	11.7	—	11.7
Commissions and fees	4.4	4.6	4.4	13.4
Other expenses from current activity*	13.8	9.4	6.1	29.3
Gross profit	14.8	530.4	(8.7)	536.5
Income tax expense	0.7	1.3	(0.8)	1.2
Net profit/(Loss)	14.1	529.1	(7.9)	535.3

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

Financial Ratios

30 September 2011

1. Current Liquidity ratio

$$\frac{\text{Current Assets}}{\text{Current Liabilities}} = 10.40$$

2. Debt-to-Equity ratio (%)

$$\frac{\text{Borrowings}^*}{\text{Shareholders' Equity}} \times 100 = \text{—}$$

*The Fund had no borrowings at the quarter end therefore this ratio is nil.

3. Debt Turnover ratio (number of days)

$$\frac{\text{Average balance of debtors}}{\text{Turnover or sales}} \times 365 = \text{n/a}$$

This ratio is not applicable to an investment fund and cannot be calculated.

4. Turnover of Non-current Assets

$$\frac{\text{Gross turnover}^*}{\text{Non-current assets}} = 0.055$$

*Total Revenues from current activity have been used in computation of this ratio.
This ratio has no real significance for an investment fund.

Signatures:

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

Adrian Cighi
Legal Representative

Mihaela Moleavin
Financial Reporting Manager

Annex 1

STATEMENT OF ASSETS AND OBLIGATIONS AS AT 30 SEPTEMBER 2011 PREPARED IN ACCORDANCE WITH CNVM REGULATION 4/2010 (ANNEX NO. 4)

Item	31 December 2010				30 September 2011				Differences Lei
	% of the Net Asset	% of the Total Asset	Currency	Lei	% of the Net Asset	% of the Total Asset	Currency	Lei	
I. Total assets	100.5461%	100.0000%		15,411,879,343.18	100.4706%	100.0000%		14,685,004,506.52	(726,874,836.66)
1 Securities and money market instruments, out of which:	32.1909%	32.0161%		4,934,276,388.53	32.3958%	32.2441%	EUR 47,823,164.13	4,735,041,344.75	(199,235,043.78)
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	30.9714%	30.8264%		4,526,852,939.16	(407,423,449.37)
1.1.1 listed shares traded in the last 30 days	31.9900%	31.8162%		4,903,476,207.29	30.8748%	30.7302%		4,512,725,038.99	(390,751,168.30)
1.1.2 listed shares not traded in the last 30 days	0.2009%	0.1998%		30,800,181.24	0.0967%	0.0962%		14,127,900.17	(16,672,281.07)
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	—	—		—	1.4244%	1.4177%	EUR 47,823,164.13	208,188,405.59	208,188,405.59
1.2.1 listed shares traded in the last 30 days	—	—		—	1.4244%	1.4177%	EUR 47,823,164.13	208,188,405.59	208,188,405.59
1.2.2 listed shares not traded in the last 30 days	—	—		—	—	—		—	—
1.3. 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	64.1889%	63.8882%		9,381,985,789.89	236,970,861.85
– shares not admitted at trading	59.6615%	59.3374%		9,145,014,928.04	64.1889%	63.8882%		9,381,985,789.89	236,970,861.85
4 Bank deposits, out of which:	6.9889%	6.9509%		1,071,263,725.89	2.0986%	2.0888%		306,741,657.72	(764,522,068.17)
4.1. bank deposits made with credit institutions from Romania	6.9889%	6.9509%		1,071,263,725.89	2.0986%	2.0888%		306,741,657.72	(764,522,068.17)
4.2. bank deposits made with credit institutions from an EU state	—	—		—	—	—		—	—
4.3. bank deposits made with credit institutions from a 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	0.0168%	0.0167%		2,458,751.20	(4,749,113.51)
– in lei	0.0469%	0.0467%		7,192,034.23	0.0166%	0.0165%		2,424,670.04	(4,767,364.19)
– in euro	0.0001%	0.0001%	EUR 3,294.97	14,118.29	0.0002%	0.0002%	EUR 7,828.81	34,081.16	19,962.87
– in USD	0.0000%	0.0000%	USD 286.73	901.97	0.0000%	0.0000%	USD —	—	(901.97)
– in GBP	0.0000%	0.0000%	GBP 163.11	810.22	0.0000%	0.0000%	GBP —	—	(810.22)
7 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	0.3328%	0.3313%		48,648,994.03	(199,372,480.87)
– Treasury bills with original maturities of less than 1 year	1.6181%	1.6093%		248,021,474.90	0.3328%	0.3313%		48,648,994.03	(199,372,480.87)
8 Participation titles of UCITS and/or of OCIU (A.O.P.C./O.P.C.V.M.)	—	—		—	—	—		—	—
9 Other assets out of which:	0.0398%	0.0395%		6,094,961.11	1.4376%	1.4309%		210,127,968.93	204,033,007.82
– net dividend receivable from Romanian companies	0.0265%	0.0264%		4,069,236.53	1.3908%	1.3843%		203,282,042.71	199,212,806.18
– net dividend receivable from EU companies	—	—		—	0.0119%	0.0119%	EUR 399,879.07	1,740,793.56	1,740,793.56
– tax on profit to be recovered from the State Budget	0.0069%	0.0069%		1,058,958.07	0.0055%	0.0054%		799,865.00	(259,093.07)
– receivables from penalties levied for late payment of dividends	0.0053%	0.0053%		811,131.45	0.0287%	0.0285%		4,191,641.21	3,380,509.76
– other debts	0.0008%	0.0008%		124,631.06	0.0003%	0.0003%		39,971.95	(84,659.11)
– prepaid expenses	0.0002%	0.0002%		31,004.00	0.0005%	0.0005%		73,654.50	42,650.50
II. Total liabilities	0.5461%	0.5432%		83,711,494.60	0.4706%	0.4684%		68,783,713.34	(14,927,781.26)
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%		20,103,886.05	2,149,728.75
2 Liabilities related to the fees payable to the depositary bank	0.0009%	0.0009%		132,097.98	0.0009%	0.0009%		130,763.35	(1,334.63)
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	0.0088%	0.0087%		1,279,194.00	10,972.00
8 Audit fees	—	—		—	0.0000%	0.0000%		—	—
9 Other Liabilities, out of which:	0.4199%	0.4176%		64,357,017.32	0.3234%	0.3219%		47,269,869.94	(17,087,147.38)
– payable dividends	0.1619%	0.1611%		24,821,842.40	0.1235%	0.1229%		18,050,448.69	(6,771,393.71)
– payables in respect of acquired shares	—	—		—	0.0026%	0.0026%		380,087.36	380,087.36
– payables in respect of buy-backs	—	—		—	0.0435%	0.0433%		6,354,955.95	6,354,955.95
– tax on dividends	0.0513%	0.0510%		7,859,711.00	0.0025%	0.0025%		361,189.00	(7,498,522.00)
– advisory fee payable for the selection of the Fund administrator	0.0483%	0.0480%	EUR 1,727,501.53	7,401,998.56	0.0515%	0.0512%	EUR 1,727,501.53	7,520,332.41	118,333.85
– 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	0.0004%	0.0004%		56,768.00	(14,911.00)
– tax on profit	—	—		—	0.0000%	0.0000%		0.00	—
– provisions for risks and expenses	0.0941%	0.0936%		14,424,098.40	0.0971%	0.0967%		14,197,829.40	(226,269.00)
– other liabilities	0.0003%	0.0003%		47,306.61	0.0024%	0.0024%		348,259.13	300,952.52
III. Net Asset Value (I-II)	100.0000%	99.4568%		15,328,167,848.58	100.0000%	99.5316%		14,616,220,793.18	(711,947,055.40)

Unitary Net Asset Value

Item	30 September 2011	31 December 2010	Differences
Net Asset Value	14,616,220,793.18	15,328,167,848.58	(711,947,055.40)
Number of outstanding shares	13,405,864,536	13,778,392,208	(372,527,672)
Unitary net asset value	1.0902	1.1124	(0.0222)

Detailed Statement of Investments as at 30 September 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 S.A.	ALR	30/Sep/2011	72,860,814	0.5	3.7300	271,770,836.22	10.2000%	1.8507%	1.8594%	Closing price
Azomures S.A.	AZO	30/Sep/2011	58,371,566	0.1	0.8000	46,697,252.80	11.0900%	0.3180%	0.3195%	Closing price
Comcereal Fundulea S.A.	CCFD	15/Sep/2011	59,604	2.5	1.5500	92,386.20	5.3500%	0.0006%	0.0006%	Closing price
Conpet S.A.	COTE	30/Sep/2011	2,571,153	3.3	34.0000	87,419,202.00	29.6900%	0.5953%	0.5981%	Closing price
Delfincom S.A.	DELF	29/Sep/2011	645,647	2.5	4.1000	2,647,152.70	65.5000%	0.0180%	0.0181%	Closing price
IOR S.A.	IORB	30/Sep/2011	2,622,273	0.1	0.3300	865,350.09	2.8100%	0.0059%	0.0059%	Closing price
Mecon S.A.	MECP	30/Sep/2011	60,054	11.6	10.0000	600,540.00	12.5100%	0.0041%	0.0041%	Closing price
Oil Terminal S.A.	OIL	30/Sep/2011	49,216,526	0.1	0.1800	8,858,974.68	8.4500%	0.0603%	0.0606%	Closing price
Romaero S.A.	RORX	27/Sep/2011	1,311,691	2.5	14.0000	18,363,674.00	20.9900%	0.1251%	0.1256%	Closing price
OMV Petrom S.A.	SNP	30/Sep/2011	11,391,130,186	0.1	0.2830	3,223,689,842.64	20.1000%	21.9523%	22.0556%	Closing price
Prestari Servicii S.A.	PRVD	2/Sep/2011	200,170	2.5	12.0000	2,402,040.00	70.5500%	0.0164%	0.0164%	Closing price
Severnav S.A.	SEVE	30/Sep/2011	1,971,566	2.5	2.0000	3,943,132.00	39.1000%	0.0269%	0.0270%	Closing price
Transelectrica S.A.	TEL	30/Sep/2011	9,895,212	10	17.2000	170,197,646.40	13.4900%	1.1590%	1.1644%	Closing price
Transgaz S.A.	TGN	30/Sep/2011	1,764,620	10	194.0000	342,336,280.00	14.9800%	2.3312%	2.3422%	Closing price
Primcom S.A.	PRIB	27/Sep/2011	1,154,234	2.5	14.2700	16,470,919.18	78.9700%	0.1122%	0.1127%	Closing price
Telerom Proiect INPPT S.A.	TEBV	21/Sep/2011	673,862	0.11	2.5000	1,684,655.00	68.6300%	0.0115%	0.0115%	Closing price
BRD-Groupe Societe Generale S.A.	BRD	30/Sep/2011	25,127,276	1	11.0000	276,400,036.00	3.6000%	1.8822%	1.8910%	Closing price
Banca Transilvania S.A.	TLV	30/Sep/2011	40,902,905	1	0.9360	38,285,119.08	2.3000%	0.2607%	0.2619%	Closing price
Total						4,512,725,038.99		30.7302%	30.8748%	

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 S.A.	ALCQ	16/Aug/2011	89,249	2.5	31.0000	2,766,719.00	71.8900%	0.0188%	0.0189%	Fair value/share: Last trading price
Comcereal Cluj S.A.	COCL	6/Aug/2010	256,116	2.5	4.1212	1,055,505.26	11.3600%	0.0072%	0.0072%	Shareholder equity/share
Forsev S.A.	FORS	26/Nov/2009	954,376	2.5	7.1407	6,814,912.70	28.1400%	0.0464%	0.0466%	Shareholder equity/share
Mecanoenergetica S.A.	MEGU	19/Aug/2011	1,620,975	0.3	0.0700	113,468.25	10.0700%	0.0008%	0.0008%	Fair value/share: Last trading Price
Palace S.A.	PACY	30/Aug/2011	5,832,482	0.1	0.3425	1,997,625.09	15.4200%	0.0136%	0.0137%	Shareholder equity/share
Resib S.A.	RESI	3/Jun/2004	894,600	0.10	0.0000	0.00	2.8700%	0.0000%	0.0000%	Priced at zero (negative equity)
Romplumb S.A.	ROMR	5/Oct/2001	1,595,520	2.5	0.0000	0.00	51.0000%	0.0000%	0.0000%	Fair value/share: NIL
Transilvania-Com S.A.	TRVC	15/Aug/2007	77,234	2.5	16.5034	1,274,623.60	39.9900%	0.0087%	0.0087%	Shareholder equity/share
Turdapan S.A.	TUSB	29/Dec/2010	155,855	2.5	0.6740	105,046.27	44.0600%	0.0007%	0.0007%	Shareholder equity/share
Total						14,127,900.17		0.0962%	0.0967%	

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/Sep/2011	1,227,870	EUR 36.7690	EUR 19.3600	23,771,563.20	103,484,638.03	0.3200%	0.7047%	0.7080%	Closing price
RAIFFEISEN BANK INTERNATIONAL AG	RBI	30/Sep/2011	1,085,606	EUR 48.2470	EUR 22.1550	24,051,600.93	104,703,767.56	0.5500%	0.7130%	0.7164%	Closing price
						47,823,164.13	208,188,405.59		1.4177%	1.4244%	

* = shareholders equity/share as at 30 September 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)		Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Company status	Evaluation method
			Share value	Share value						
Aeroportul International Mihail Kogalniceanu - Constanta S.A.	23,159	19/Jul/2005	1,490,898	107.7014	2,494,256.72	20.0000%	0.0170%	0.0171%	Unlisted companies, in function	Shareholder equity/share
Aeroportul International Timisoara - Traian Vuia S.A.	32,016	19/Jul/2005	2,652,588	244.1807	7,817,689.29	20.0000%	0.0532%	0.0535%	Unlisted companies, in function	Shareholder equity/share
Carom - Broker Asigurare S.A.	17,500	19/Jul/2005	1,161,986	59.4394	1,040,189.50	70.0000%	0.0071%	0.0071%	Unlisted companies, in function	Shareholder equity/share
Celuloza si Otel S.A. (fost 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 S.A.	354,468	19/Jul/2005	118,840	1.2092	428,622.71	20.4300%	0.0029%	0.0029%	Unlisted companies, in function	Shareholder equity/share
Ciocarlia S.A.	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 S.A.	27,554	19/Jul/2005	675,810	144.5292	3,982,357.58	20.0000%	0.0271%	0.0272%	Unlisted companies, in function	Shareholder equity/share
CN Administratia Canalelor Navigabile S.A.	203,160	19/Jul/2005	15,194,209	77.1863	15,681,168.71	20.0000%	0.1068%	0.1073%	Unlisted companies, in function	Shareholder equity/share
CN Administratia Porturilor Dunarii Maritime S.A.	21,237	19/Jul/2005	1,351,671	97.8493	2,078,025.58	20.0000%	0.0142%	0.0142%	Unlisted companies, in function	Shareholder equity/share
CN Administratia Porturilor Maritime S.A.	1,369,125	19/Jul/2005	52,621,414	45.1186	61,773,003.23	19.9900%	0.4207%	0.4226%	Unlisted companies, in function	Shareholder equity/share
CN Aeroporturi Bucuresti S.A.**	2,875,443	5/Feb/2010	131,168,263	112.1258	322,411,346.73	20.0000%	2.1955%	2.2058%	Unlisted companies, in function	Fair value/share (Value as per independent valuator's report)
Comcereal Harghita S.A.	38,813	12/Jul/2007	64,817	5.9200	229,772.96	10.0300%	0.0016%	0.0016%	Unlisted companies, in function	Fair value/share (Selling price)
Commetex S.A.	67,533	19/Jul/2005	193,500	2.6605	179,671.55	15.9900%	0.0012%	0.0012%	Unlisted companies, in function	Shareholder equity/share
Complexul Energetic Craiova S.A.	6,301,669	19/Jul/2005	250,169,153	42.3386	266,803,843.12	24.3500%	1.8168%	1.8254%	Unlisted companies, in function	Shareholder equity/share
Complexul Energetic Rovinari S.A.	5,525,167	19/Jul/2005	137,615,732	52.5279	290,225,419.66	23.6000%	1.9763%	1.9856%	Unlisted companies, in function	Shareholder equity/share
Complexul Energetic Turceni S.A.	11,387,991	19/Jul/2005	282,299,927	45.8901	522,596,045.79	24.7800%	3.5587%	3.5755%	Unlisted companies, in function	Shareholder equity/share
Comsig S.A.	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 S.A.	13,158,040	19/Jul/2005	37,470,244	8.7833	115,571,012.73	11.9900%	0.7870%	0.7907%	Unlisted companies, in function	Shareholder equity/share
E.ON Energie Romania S.A. (fosta E.ON Gaz Romania S.A.)	9,903,524	19/Jul/2005	45,765,358	9.5236	94,317,201.17	13.3900%	0.6423%	0.6453%	Unlisted companies, in function	Shareholder equity/share
E.ON Moldova Distributie S.A.	10,994,457	19/Jul/2005	131,073,011	20.0797	220,765,398.22	22.0000%	1.5033%	1.5104%	Unlisted companies, in function	Shareholder equity/share
Electrica Distributie Muntenia Nord S.A.	7,796,022	19/Jul/2005	165,221,141	30.5416	238,102,985.52	21.9900%	1.6214%	1.6290%	Unlisted companies, in function	Shareholder equity/share
Electrica Distributie Transilvania Nord S.A.	8,167,813	19/Jul/2005	113,299,904	20.9177	170,851,861.99	22.0000%	1.1634%	1.1689%	Unlisted companies, in function	Shareholder equity/share
Electrica Distributie Transilvania Sud S.A.	9,327,282	19/Jul/2005	125,918,629	19.6783	183,545,053.38	21.9900%	1.2499%	1.2558%	Unlisted companies, in function	Shareholder equity/share
Electroconstructia Elco Cluj S.A.	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 S.A.	9,220,644	19/Jul/2005	141,578,929	34.3494	316,723,589.01	24.1200%	2.1568%	2.1669%	Unlisted companies, in function	Shareholder equity/share
ENEL Distributie Dobrogea S.A.	6,753,127	19/Jul/2005	114,760,053	32.3808	218,671,654.76	24.0900%	1.4891%	1.4961%	Unlisted companies, in function	Shareholder equity/share
Enel Distributie Muntenia S.A.	3,256,396	19/Jul/2005	107,277,263	103.5620	337,238,882.55	12.0000%	2.2965%	2.3073%	Unlisted companies, in function	Shareholder equity/share
Enel Energie Muntenia S.A.	444,054	19/Jul/2005	2,833,769	84.0910	37,340,944.91	12.0000%	0.2543%	0.2555%	Unlisted companies, in function	Shareholder equity/share
ENEL Energie S.A.	1,680,000	19/Jul/2005	26,124,808	11.7378	19,719,504.00	12.0000%	0.1343%	0.1349%	Unlisted companies, in function	Shareholder equity/share
GDF Suez Energy Romania (fost Distrigaz Sud)	2,127,879	19/Jul/2005	59,982,622	159.1765	338,708,331.64	12.0000%	2.3065%	2.3173%	Unlisted companies, in function	Shareholder equity/share
Hydroelectrica S.A.	88,570,215	19/Jul/2005	3,099,587,796	37.7147	3,340,399,087.66	19.9400%	22.7470%	22.8541%	Unlisted companies, in function	Shareholder equity/share
Nuclearelectrica S.A.	24,676,222	19/Jul/2005	967,926,936	29.7879	735,052,833.31	9.7200%	5.0055%	5.0290%	Unlisted companies, in function	Shareholder equity/share
Posta Romana S.A.	14,871,947	19/Jul/2005	84,664,380	9.3869	139,601,479.29	25.0000%	0.9506%	0.9551%	Unlisted companies, in function	Shareholder equity/share
Romgaz S.A.	5,742,854	19/Jul/2005	416,301,444	212.4799	1,220,241,043.63	14.9900%	8.3094%	8.3485%	Unlisted companies, in function	Shareholder equity/share
Salubriserv S.A.	43,263	19/Jul/2005	207,601	175.2167	7,580,400.09	17.4800%	0.0516%	0.0519%	Unlisted companies, in function	Shareholder equity/share
Societatea Nationala a Sarii S.A.	2,005,884	28/Jun/2007	76,347,715	43.2684	86,791,391.27	48.9900%	0.5910%	0.5938%	Unlisted companies, in function	Shareholder equity/share
World Trade Hotel S.A.	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
Zamur Targu Mures S.A.	402,516	19/Jul/2005	319,724	7.9611	3,204,470.13	7.1800%	0.0218%	0.0219%	Unlisted companies, in function	Shareholder equity/share
Zirom S.A.	3,624,346	28/Jun/2007	36,030,702	15.9504	57,809,768.44	100.0000%	0.3937%	0.3955%	Unlisted companies, in function	Shareholder equity/share
Electrica Furnizare S.A.***	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 S.A.	194,022	19/Jul/2005	656,686	0.0000	0.00	33.0000%	0.0000%	0.0000%	Dissolution	Priced at zero
Carbid Fox S.A.	10,191,630	19/Jul/2005	927,357	0.0000	0.00	7.9600%	0.0000%	0.0000%	Bankruptcy	Priced at zero
FECNE S.A.	778,442	19/Jul/2005	0	0.0000	0.00	12.1200%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Gerovital Cosmetics S.A.	1,350,988	19/Jul/2005	340,996	0.0000	0.00	9.7600%	0.0000%	0.0000%	Dissolution	Priced at zero
Plafar S.A.	132,784	28/Jun/2007	3,160,329	0.0000	0.00	48.9900%	0.0000%	0.0000%	Insolvency	Priced at zero
Petrotel - Lukoil S.A.	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 S.A.	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 S.A.	198,860	19/Jul/2005	42,459	0.0000	0.00	19.9000%	0.0000%	0.0000%	Unlisted companies, in function	Priced at zero (negative equity)
Total			6,659,003,511		9,381,985,789.89		63.8882%	64.1889%		

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 S.A. 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. The litigation related to this is in progress.

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/2011	23,435,300.00	4,298.63	103,167.03	23,538,467.03	0.1603%	0.1610%	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	112,198.09	25,110,527.00	0.1710%	0.1718%	ING Bank	
Total							48,648,994.03	0.3313%	0.3328%		

Term Deposits

Name of the bank	Starting date	Maturity date	Initial value	Daily Interest	Cumulative interest	Current value	Stake in the Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Banca Comerciala Romana	29/Sep/2011	4/Oct/2011	RON 25,600,000.00	RON 3,697.78	RON 7,395.56	RON 25,607,395.56	0.1744%	0.1752%	Term deposit value cumulated with the related interest
Banca Comerciala Romana	14/Sep/2011	14/Oct/2011	RON 22,000,000.00	RON 3,422.22	RON 58,177.78	RON 22,058,177.78	0.1502%	0.1509%	
Banca Comerciala Romana	14/Sep/2011	17/Oct/2011	RON 20,500,000.00	RON 3,200.28	RON 54,404.72	RON 20,554,404.72	0.1400%	0.1406%	
BRD Groupe Societe Generale	6/Sep/2011	3/Oct/2011	RON 25,000,000.00	RON 3,645.83	RON 91,145.83	RON 25,091,145.83	0.1709%	0.1717%	
BRD Groupe Societe Generale	26/Sep/2011	7/Oct/2011	RON 28,000,000.00	RON 4,472.22	RON 22,361.11	RON 28,022,361.11	0.1908%	0.1917%	
RAIFFEISEN Bank	26/Sep/2011	10/Oct/2011	RON 10,000,000.00	RON 1,486.11	RON 7,430.56	RON 10,007,430.56	0.0681%	0.0685%	
RAIFFEISEN Bank	7/Sep/2011	12/Oct/2011	RON 20,000,000.00	RON 2,916.67	RON 70,000.00	RON 20,070,000.00	0.1367%	0.1373%	
RAIFFEISEN Bank	7/Sep/2011	19/Oct/2011	RON 10,000,000.00	RON 1,458.33	RON 35,000.00	RON 10,035,000.00	0.0683%	0.0687%	
RAIFFEISEN Bank	28/Sep/2011	28/Oct/2011	RON 20,000,000.00	RON 3,055.56	RON 9,166.67	RON 20,009,166.67	0.1363%	0.1369%	
ING Bank	15/Sep/2011	5/Oct/2011	RON 11,500,000.00	RON 1,405.56	RON 22,488.89	RON 11,522,488.89	0.0785%	0.0788%	
ING Bank	30/Sep/2011	11/Oct/2011	RON 9,400,000.00	RON 1,201.11	RON 1,201.11	RON 9,401,201.11	0.0640%	0.0643%	
UNICREDIT TIRIAC Bank	7/Sep/2011	12/Oct/2011	RON 10,000,000.00	RON 1,361.11	RON 32,666.67	RON 10,032,666.67	0.0683%	0.0686%	
UNICREDIT TIRIAC Bank	30/Sep/2011	21/Oct/2011	RON 20,000,000.00	RON 3,000.00	RON 3,000.00	RON 20,003,000.00	0.1362%	0.1369%	
UNICREDIT TIRIAC Bank	28/Sep/2011	21/Oct/2011	RON 22,000,000.00	RON 3,361.11	RON 10,083.33	RON 22,010,083.33	0.1499%	0.1506%	
ING Bank	30/Sep/2011	3/Oct/2011	RON 38,694,554.42	RON 1,096.35	RON 1,096.35	RON 38,695,650.77	0.2635%	0.2647%	
BRD Groupe Societe Generale	30/Sep/2011	3/Oct/2011	RON 13,619,449.37	RON 2,035.35	RON 2,035.35	RON 13,621,484.72	0.0928%	0.0932%	
Total						306,741,657.72	2.0888%	2.0986%	

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/30 September 2011
Net Asset		15,328,167,848.58	14,616,220,793.18
NAV/share		1.1124	1.0902

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

Adrian Cighi
Legal Representative

Marius Nechifor
Compliance Officer

ING Bank N.V. Amsterdam – Bucharest Branch

Cristina Bulata
Director Settlements &
Trade Commercial Banking

Mihaela Savu
Economist

Annex 2

**FONDUL PROPRIETATEA S.A.
CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011**

FONDUL PROPRIETATEA S.A.
CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011

Contents

Condensed Statement of Comprehensive Income.....	24
Condensed Statement of Financial Position.....	25
Condensed Statement of Changes in Shareholders' Equity.....	26
Condensed Statement of Cash Flows.....	27
Notes to the Condensed Separate Financial Statements.....	28-47

FONDUL PROPRIETATEA S.A.

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)**

	<i>Note</i>	9 months ended 30 September 2011
Gross dividend income	5	512,833,185
Interest income		34,567,562
Reversal of impairment losses on dividends receivable		28,305,370
Reversal of impairment losses on disposed equity investments	9	21,545,871
Impairment losses on receivables in respect of equity contributions		(11,705,864)
Impairment losses on equity investments	9	(6,996,196)
Gains on disposal of equity investments		5,750,076
Net foreign exchange gains		678,232
Other operating income		11,571,392
Net operating income		596,549,628
Personnel expenses		(452,156)
Other operating expenses	6	(41,887,626)
Operating expenses		(42,339,782)
Profit before tax		554,209,846
Income tax expense	7	(7,115,565)
Profit for the period		547,094,281
Other comprehensive income		
Net change in fair value of available-for-sale equity investments		(927,319,976)
Income tax on other comprehensive income	7	148,371,196
Total other comprehensive income		(778,948,780)
Total comprehensive income for the period		(231,854,499)
Basic and diluted earnings per share		0.0397

The financial statements were authorised for issue on 14 November 2011 by:

Adrian Cighi
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 28 to 47 are an integral part of these financial statements.

FONDUL PROPRIETATEA S.A.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)

	<i>Note</i>	30 September 2011	31 December 2010
Assets			
Cash		2,458,751	7,207,864
Deposits with banks		306,741,658	1,071,263,726
Treasury bills		48,648,994	248,021,476
Dividends receivable	8	205,022,836	4,069,237
Equity investments	9	10,680,395,585	10,861,557,101
Deferred tax assets	10	484,847,330	338,979,156
Other assets		5,105,133	1,901,634
Total assets		11,733,220,287	12,533,000,194
Liabilities			
Payables in respect of equity contributions		-	9,730,381
Other liabilities	11	54,645,407	59,842,804
Total liabilities		54,645,407	69,573,185
Equity			
Share capital		13,778,392,208	13,778,392,208
Fair value reserve on available-for-sale financial assets	12	1,172,189,714	1,951,138,494
Other reserves		222,823,865	222,823,865
Treasury shares	12	(120,268,583)	-
Accumulated losses		(3,374,562,324)	(3,488,927,558)
Total equity		11,678,574,880	12,463,427,009
Total liabilities and equity		11,733,220,287	12,533,000,194

The notes on pages 28 to 47 are an integral part of these financial statements.

FONDUL PROPRIETATEA S.A.

**CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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	-	-	-	-	547,094,281	547,094,281
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	(927,319,976)	-	-	-	(927,319,976)
Income tax on income and expense recognised directly in equity	-	148,371,196	-	-	-	148,371,196
Total other comprehensive income	-	(778,948,780)	-	-	-	(778,948,780)
Total comprehensive income for the period	-	(778,948,780)	-	-	547,094,281	(231,854,499)
Transactions with owners, recorded directly in equity						
Buybacks	-	-	-	(120,268,583)	-	(120,268,583)
Dividends declared	-	-	-	-	(432,729,047)	(432,729,047)
Total transactions with owners recorded directly in equity	-	-	-	(120,268,583)	(432,729,047)	(552,997,630)
Balance at 30 September 2011	13,778,392,208	1,172,189,714	222,823,865	(120,268,583)	(3,374,562,324)	11,678,574,880

The notes on pages 28 to 47 are an integral part of these financial statements.

FONDUL PROPRIETATEA S.A.

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)**

	9 months ended 30 September 2011
Cash flows from operating activities	
Proceeds from sale of equity instruments	10,171,182
Redemption of treasury bills, net	197,838,880
Interest received	42,171,695
Dividends received (net of withholding tax)	336,900,657
Collection of bank deposits maturing in more than 3 months, net	378,486,499
Other receipts	8,292,010
Income tax paid	(1,109,707)
Salaries and related taxes paid	(692,855)
Suppliers and other taxes and fees paid	(39,662,384)
Acquisition of equity investments	(755,893,944)
Net cash flows from operating activities	176,502,033
Cash flows from financing activities	
Dividends paid (including related taxes)	(446,998,958)
Acquisition of treasury shares	(113,913,627)
Net cash flows used in financing activities	(560,912,585)
Net increase in cash and cash equivalents	(384,410,552)
Cash and cash equivalents at 1 January 2011	693,486,892
Effect of exchange rate fluctuations on cash and cash equivalents	(303,585)
Cash and cash equivalents at 30 September 2011	308,772,755
	30 September 2011
Cash	2,458,751
Bank deposits with original maturities of less than three months	306,314,004
	308,772,755

The notes on pages 28 to 47 are an integral part of these financial statements.

FONDUL PROPRIETATEA S.A.**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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, Buzești 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”.

These condensed separate financial statements for the nine month period ended 30 September 2011 are not audited.

2. Basis of preparation**(a) Statement of compliance**

These condensed separate interim financial statements for the nine month period ended 30 September 2011 have been prepared in accordance with IAS 34 “Interim financial reporting”. The condensed separate interim financial statements should be read in conjunction with the annual separate financial statements for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards (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. The Fund will not prepare consolidated financial statements for the nine month period ended 30 September 2011.

FONDUL PROPRIETATEA S.A.**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)****2. Basis of preparation (continued)****(b) Basis of measurement**

The condensed separate interim financial statements have been prepared on the historical cost basis except for equity investments that are quoted 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) Comparatives

These condensed separate interim financial statements for the nine month period ended 30 September 2011 are the first interim statements issued by the Fund. Consequently, comparatives for the Condensed Statement of Comprehensive Income, Condensed Statement of Changes in Shareholders' Equity and Condensed Statement of Cash Flows for the nine month period ended 30 September 2010 are not available.

(e) 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 6 – Other operating expenses
- Note 9 – Valuation of equity investments;
- Note 10 – Recognition of deferred tax assets;
- Note 11 – Other liabilities;
- Note 13 – Contingencies.

3. Significant accounting policies

The accounting policies are consistent with those in the annual separate financial statements for the year ended 31 December 2010.

FONDUL PROPRIETATEA S.A.

**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)**

4. 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
30 September 2011						
Cash	2,458,751	-	-	-	2,458,751	2,458,751
Deposits with banks	306,741,658	-	-	-	306,741,658	306,741,658
Treasury bills	-	-	48,648,994	-	48,648,994	48,648,994
Dividends receivable	205,022,836	-	-	-	205,022,836	205,022,836
Equity investments at fair value	-	-	4,673,843,597	-	4,673,843,597	4,673,843,597
Equity investments at cost	-	-	6,006,551,988	-	6,006,551,988	Not available
Other receivables	5,105,133	-	-	-	5,105,133	5,105,133
Other liabilities	-	-	-	(54,585,884)	(54,585,884)	(54,585,884)
	519,328,378	-	10,729,044,579	(54,585,884)	11,193,787,073	Not available

FONDUL PROPRIETATEA S.A.

**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)**

4. 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	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)	(9,730,381)
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 2010 and 30 September 2011, 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.

FONDUL PROPRIETATEA S.A.**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)****5. Gross dividend income**

	9 months ended 30 September 2011
OMV Petrom S.A.	201,623,004
Romgaz S.A.	106,010,598
Hidroelectrica S.A.	52,478,623
Transgaz S.A.	50,768,117
ENEL Distributie Banat S.A.	20,161,712
Alro S.A.	16,024,881
Primcom S.A.	14,276,720
ENEL Distributie Dobrogea S.A.	13,529,334
CN Aeroporturi Bucuresti S.A.	9,932,510
Conpet S.A.	6,984,786
Delfincom S.A.	5,633,501
Raiffeisen Bank International AG	4,735,544
Erste Group Bank AG	3,514,049
BRD - Groupe Societe General S.A.	2,427,206
Aeroportul Intl' Timisoara - Traian Vuia S.A.	1,536,108
Transelectrica S.A.	1,147,845
Others	2,048,647
	512,833,185

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 shareholding was larger than 10% for at least two years prior to the dividend distribution, no withholding tax was due.

6. Other operating expenses

	9 months ended 30 September 2011
Investment management and administration fee	25,074,329
National Securities Commission fee	12,009,829
Depositary fee	1,253,774
Other operating expenses	3,549,694
	41,887,626

FONDUL PROPRIETATEA S.A.

**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011**
(all amounts are in RON unless otherwise stated)

7. Income tax expense

	9 months ended 30 September 2011
Current tax expense	
Current tax (16%)	1,244,712
Dividend withholding tax	3,367,831
	<u>4,612,543</u>
Deferred tax expense	
Impairment losses on equity investments	2,327,948
Provisions for restructuring	36,203
Used tax losses	138,871
	<u>2,503,022</u>
Total income tax expense	<u><u>7,115,565</u></u>

The effective tax rate used to calculate the deferred tax position of the Fund for the nine month period ended 30 September 2011 was 16% (standard tax rate).

	9 months ended 30 September 2011
Reconciliation of effective tax rate	
Profit for the year	547,094,281
Income tax expense	7,115,565
Profit excluding income tax	<u>554,209,846</u>
Income tax using the standard tax rate (16%)	88,673,575
Effect of:	
Lower tax rate on dividend income	(78,685,479)
Profit appropriation to legal reserve	(216,610)
Other non-taxable income	(4,565,062)
Other non-deductible expenses	1,872,938
Provisions for restructuring	36,203
Total income tax expense	<u><u>7,115,565</u></u>

FONDUL PROPRIETATEA S.A.

**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)**

7. Income tax expense (continued)

	9 months ended 30 September 2011
Income tax recognised directly in equity:	
On equity investments carried at fair value	(148,371,196)

8. Dividends receivable

	30 September 2011	31 December 2010
Dividends receivable		
Romgaz S.A.	70,716,598	18,510,456
Transgaz S.A.	60,403,110	9,634,993
Hidroelectrica S.A.	52,478,623	3,501,712
CN Aeroporturi Bucuresti S.A.	9,932,510	-
Conpet S.A.	6,984,786	-
Aeroportul International Timisoara - Traian Vuia S.A.	1,536,108	-
Complexul Energetic Rovinari S.A.	-	567,525
Other dividends receivable	3,635,573	824,392
	205,687,308	33,039,078
Impairment loss allowance		
Romgaz S.A.	-	(18,510,456)
Transgaz S.A.	-	(9,634,993)
Other dividends receivable	(664,472)	(824,392)
	(664,472)	(28,969,841)
	205,022,836	4,069,237

FONDUL PROPRIETATEA S.A.**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)****9. 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 eleven 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 30 September 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 quoted on the Bucharest Stock Exchange which are not traded in an active market, and unquoted securities, are carried at cost less impairment.

At 30 September 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:

	Equity investments at fair value	Equity investments at cost	Total equity investments
31 December 2010	4,846,321,942	6,015,235,159	10,861,557,101
Acquisitions	757,236,361	-	757,236,361
Disposals	(2,394,730)	(23,232,846)	(25,627,576)
Impairment loss		(6,996,196)	(6,996,196)
Reversal of impairment loss on disposals	-	21,545,871	21,545,871
Changes in fair value	(927,319,976)	-	(927,319,976)
30 September 2011	4,673,843,597	6,006,551,988	10,680,395,585

FONDUL PROPRIETATEA S.A.**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)**

9. Equity investments (continued)

During the first 9 months of 2011, the Fund increased its exposure to Alro S.A., Azomures S.A., BRD Groupe Societe Generale 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.

During the same period the Fund sold its entire holdings in Marlin S.A., Familial Restaurant S.A. and Laromet 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.

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 has not fully paid the share capital of the Fund and consequently, the number of shares correspondent to the holding in Electromecanica Ploiesti S.A. (21,436,245 Fund's shares) owned by Romanian State were derecognised from Fund's portofolio.

In November 2010, the General Shareholders Meetings of Electrica Furnizare Transilvania Nord S.A., Electrica Furnizare Muntenia Nord SA and Electrica Furnizare Transilvania Sud S.A. approved in principle 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 with the Trade Register on 22 July 2011.

FONDUL PROPRIETATEA S.A.**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)****9. Equity investments (continued)**

The structure of the Fund's portfolio was the following:

	30 September 2011	31 December 2010
Equity investments at fair value		
OMV Petrom S.A.	3,223,689,843	3,816,028,612
Transgaz S.A.	342,336,280	494,093,600
BRD - Groupe Societe Generale S.A.	276,400,036	48,473,750
Alro Slatina S.A.	271,770,836	211,868,727
Transelectrica S.A.	170,197,646	191,472,352
Raiffeisen Bank International AG	104,703,768	-
Erste Group Bank AG	103,484,638	-
Other	181,260,549	84,384,900
	4,673,843,596	4,846,321,941
Equity investments at cost		
Hidroelectrica S.A.	2,762,606,369	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	956,306,487	964,989,658
	6,006,551,989	6,015,235,160
Total equity investments	10,680,395,585	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.

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)

FONDUL PROPRIETATEA S.A.

**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)**

9. Equity investments (continued)

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 September 2011:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	4,673,843,597	-	-	4,673,843,597
Treasury bills	48,648,994	-	-	48,648,994
	<u>4,722,492,591</u>	<u>-</u>	<u>-</u>	<u>4,722,492,591</u>

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
	<u>5,094,343,418</u>	<u>-</u>	<u>-</u>	<u>5,094,343,418</u>

10. Deferred tax assets

	30 September 2011	31 December 2010
<i>Temporary differences deductible (taxable)</i>		
Impairment losses on equity investments	4,425,700,231	4,440,249,906
Changes in fair values of equity investments	(1,395,463,944)	(2,322,783,919)
Fiscal loss carried forward	-	867,944
Provisions	59,525	285,794
	<u>3,030,295,812</u>	<u>2,118,619,725</u>
Deferred tax assets at 16%	484,847,330	338,979,156
Total deferred tax assets	<u>484,847,330</u>	<u>338,979,156</u>

The effective tax rate used to calculate the deferred tax position of the Fund as at 30 September 2011 and as at 31 December 2010 was 16% (standard tax rate).

FONDUL PROPRIETATEA S.A.**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)****11. Other liabilities**

	30 September 2011	31 December 2010
Investment Management and Administration fees	20,103,886	17,954,157
Dividends payable	18,050,449	24,821,842
Payables for shares acquired and buybacks	6,735,043	-
CNVM commission	1,279,194	1,268,222
Tax on dividends	361,189	7,859,711
Provisions	59,523	285,792
Other liabilities	8,056,123	7,653,080
	54,645,407	59,842,804

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 30 September 2011, shareholders had collected 99% of all dividends whose distribution started before 31 December 2010 (31 December 2010: 98%).

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 30 September 2011, shareholders had collected 97 % of this dividend.

The commission due to National Securities Commission ("CNVM") arose following the Fund's registration with this authority in August 2010.

12. Shareholders' equity**(a) Share capital**

As of 30 September 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 372,527,672 shares were unpaid. Unpaid shares resulted from the cancellation of the previously recorded contributions to the Fund of the Romanian State represented by the Ministry of Public Finance, through the decisions of the Fund Manager, as follows:

- the Ministry of Public Finance failed to fulfil the obligation to transfer certain stakes in Electromecanica Ploiesti S.A. and Uzina Mecanica Bucuresti S.A. according with the provisions of Emergency Ordinance no.81/2007, and in Nuclearelectrica S.A. according with the provisions of Law no.247/2005;
- 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 SA (see note 13);

FONDUL PROPRIETATEA S.A.**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)****12. Shareholders' equity (continued)**

- In the litigations with Uzina Mecanica Bucharest S.A. and Nuclearelectrica S.A., the first court ruled against the Fund, rejecting the request of the Fund to be registered as a shareholder of Uzina Mecanica Bucharest S.A. and the transfer to the Fund of the stake due in Nuclearelectrica S.A. (see note 13).

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 30 September 2011, the State's share in Fund's issued capital decreased to 7.58%, out of which 2.70% was unpaid (31 December 2010: 38.88%).

(b) Fair value reserves on available-for-sale financial assets

The fair value reserves of RON 1,172,189,714 at 30 September 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.

(c) 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 started in May 2011 and by 30 September 2011 the Fund had acquired 240,304,801 shares at a total acquisition cost of RON 120,268,583. None of these shares have been cancelled. On 30 September 2011, the Fund completed the current buy-back programme.

(d) 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.

FONDUL PROPRIETATEA S.A.**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)****13. Contingencies**

As at 30 September 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 first nine months of 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. As at 30 September 2011 the Fund is in dispute with Romarm S.A. which did not transfer certain stakes in Uzina Mecanica Bucuresti S.A. and Electromecanica Ploiesti S.A. (both subsidiaries of Romarm S.A.). The provisions of Article 1 paragraph 2 Title II of Emergency Ordinance nr.81/2007 state that “the transfer of ownership of assets under paragraph 1 is made as at the date of entry into force of this Emergency Ordinance, the directors of companies, national societies and national companies being obliged to update their own records of shareholders and shares. In case the records of shareholders of national societies and national companies are kept by Central Depository or by registry companies, the update of the records is done by Central Depository and registry companies, on request of the Fund”.

Art. 1, paragraph 1, establishes that AVAS will transfer to the Fund a total of 1,002,301 shares of Electromecanica S.A. Ploiesti (point 2.23) and a total of 2,951,053 shares of Uzina Mecanica Bucuresti S.A. (point 2.24).

Electromecanica Ploiesti S.A. and Uzina Mecanica Bucuresti S.A. are subsidiaries of Romarm, a company owned 100% by AVAS at the effective date of the Ordinance 81/2007 and currently by the Ministry of Economy, Commerce and Business Environment. Considering the fact that the text of the Ordinance mentioned that these stakes must be transferred from AVAS and not from Romarm, the companies have refused to record the Fund as shareholder despite several requests to this effect.

Furthermore, the Fund requested AVAS, as Romarm’s single shareholder, to instruct its representatives at the general shareholders meetings of Uzina Mecanica Bucuresti S.A. and Electromecanica Ploiesti S.A. to mandate their boards of directors to record the Fund’s shareholding in both the shareholders register and the Trade Register Office.

FONDUL PROPRIETATEA S.A.**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)****13. Contingencies (continued)**

Regarding the dispute on the Fund's stake in Electromecanica Ploiesti S.A., 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 has not fully paid the share capital of the Fund and consequently, the number of shares correspondent to the holding in Electromecanica Ploiesti S.A. (21,436,245 Fund's shares) owned by Romanian State were blocked.

The other legal action, the Fund has at the High Court of Cassation and Justice, is that against Uzina Mecanica Bucuresti S.A. For safety reasons, given that the decision issued by the first court in this case is enforceable, the Fund has blocked a total of 20,024,890 shares, the amount of RON 20,024,890 being mentioned in the 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 Uzina Mecanica Bucuresti. 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 High Court of Cassation and Justice will take a decision regarding this case the Fund will propose the shareholders measures in order to solve the problem of unpaid share capital, if it is the case.

3. There are currently two court litigations involving the Fund and Nuclearelectrica.

In the first 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 of a total of 20,077,653 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.

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, the amount of RON 340,796,918 being mentioned in the 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 problem of unpaid share capital, if it is the case.

In the second file, the Fund has requested the partial cancellation of the Resolution of Nuclearelectrica's Extraordinary General Shareholders' Meeting no.14 of 26 September 2006, whereby the share capital was increased by the amount of RON 363,368,250, representing the equivalent amount of 315 tonnes heavy water, which was transferred from state reserves to Nuclearelectrica free of charge; and the allocation of an additional number of 7,267,365 new shares issued by Nuclearelectrica following the share capital increase. On 25 February 2010, the Bucharest County Court rejected the claim filed by the Fund stating that the Resolution of Nuclearelectrica Shareholders' Extraordinary General Assembly dated 26 September 2006 was made in full compliance with the provisions of Law no. 297/2006, which is derogatory from the common provisions of the Companies Law.

FONDUL PROPRIETATEA S.A.**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)****13. Contingencies (continued)**

Also, the Court interpreted the relevant legal provisions as regulating a transfer under the title of contribution by the Romanian State and not of a subsidy, entitling solely this shareholder to the shares issued as a result of Nuclearelectrica's share capital increase. The Court dismissed the Fund's claims relating to the lack of a valuation report, stating that such a report was not required, as it was a monetary contribution, and that a legal valuation had already been performed.

In the second file, on 10 May 2010, the Fund filed an appeal against the above decision of the Bucharest County Court and the appeal was rejected on 24 January 2011. The Fund filed the second appeal against of this decision. The High Court of Cassation and Justice ruled irrevocably against the Fund on 25 October 2011.

As at 30 September 2011 and as at 31 December 2010 the Fund owns 9.72% of the share capital of the Nuclearelectrica, as recorded at the Trade Register Office.

4. 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. The merger process and the creation of Electra and Hidroenergetica are currently blocked. 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.
5. 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 shall be recorded as an increase in share capital by the significant shareholder once they are collected.

2. The receivables from World Trade Center Bucharest S.A.:

Section II, Article 4 of G.E.O. nr. 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 the reception minute no. 633 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.

FONDUL PROPRIETATEA S.A.**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)**

13. Contingencies (continued)

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.

In present World Trade Center Bucharest S.A. is the object of insolvency procedure, the next hearing being set for 30 November 2011.

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 the nine months period ended 30 September 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.

FONDUL PROPRIETATEA S.A.**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)****14. Related parties****(a) Parent**

The Romanian State represented by the Ministry of Public Finance controlled the Fund during 2010, but as at 30 September 2011 its holding fell below the control threshold.

(b) Key management**9 months ended
30 September 2011****Salaries**

Members of the Board of Nominees	400,500
----------------------------------	---------

There were no loans to or other transactions between the Fund and its management in 2010 and in the first nine months of 2011.

In February 2010 the Fund signed the Investment Management Agreement with Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch ("Fund Manager") and it became effective on 29 September 2010. On this date, Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch became both the Fund Manager and Sole Director of the Fund.

The transactions carried during the first nine months of 2011 between the Fund and Fund Manager was the following:

Transactions	9 months ended 30 September 2011
Investment management fee	19,839,604
Administration fee	5,234,724
Rental expense	73,821
Operating cost	23,064
	<u><u>25,171,214</u></u>

As at 30 September 2011, the Fund owed an amount of RON 20,114,284 to the Fund Manager (31 December 2010: RON 17,963,827).

(c) Subsidiaries

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

FONDUL PROPRIETATEA S.A.

**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011**
(all amounts are in RON unless otherwise stated)

14. Related parties (continued)

	30 September 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%
	9 months ended	
	30 September 2011	
Gross dividend income		
Primcom S.A. Bucuresti	14,276,720	
Delfincom S.A. Bucuresti	5,633,501	
	<u>19,910,221</u>	
Dividends received (net of withholding tax)		
Primcom S.A. Bucuresti	14,276,720	
Delfincom S.A. Bucuresti	5,633,501	
	<u>19,910,221</u>	
	30 September 2011	31 December 2010
Dividends receivable		
Carom - Broker de Asigurare S.A. Bucuresti	89,956	188,385
	<u>89,956</u>	<u>188,385</u>
Impairment loss allowance		
Carom - Broker de Asigurare S.A. Bucuresti	(28,465)	(188,385)
	<u>(28,465)</u>	<u>(188,385)</u>
	<u>61,491</u>	<u>-</u>

FONDUL PROPRIETATEA S.A.**NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011
(all amounts are in RON unless otherwise stated)**

14. Related parties (continued)**(d) Associates**

The Fund has one associate, which is incorporated in Romania:

	30 September 2011	31 December 2010
Ownership interest		
OVM Petrom S.A.	20%	20%

During the first nine months of 2011, the Fund recorded and received from OMV Petrom S.A. a dividend of RON 201,623,004.

Annex 3

S.C. FONDUL PROPRIETATEA S.A. BALANCE SHEET AND INCOME STATEMENT AS AT 30 SEPTEMBER 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 National Securities Commission

(This is a translation from the official Romanian version)

S.C. FONDUL PROPRIETATEA S.A.
BALANCE SHEET
AS AT 30 SEPTEMBER 2011
FORM CODE 10

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

Type of financial statement: SI

County: Bucharest

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

Address: Bucharest, District 1,
78-80, Buzești 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

(RON)

A	Row	Balance	
		01 January 2011	30 September 2011
	B	1	2
III. FINANCIAL ASSETS			
1. Shares held in subsidiaries (acc. 261 - 2961)	12	70,077,549	57,765,793
3. Investments in associates (acc. 263 - 2963)	14	3,816,028,612	3,223,689,842
5. Investments held as financial assets (acc. 262 + 264 + 265 + 266 - 2696 - 2962 - 2964)	16	7,004,416,770	7,547,775,813
TOTAL: (rows 12 to 17)	18	10,890,522,931	10,829,231,448
NON-CURRENT ASSETS - TOTAL (rows 06 + 11 + 18)	19	10,890,522,931	10,829,231,448
B. CURRENT ASSETS			
II. RECEIVABLES			
1. Trade receivables (acc. 2675 + 2676 + 2678 + 2679 - 2966 - 2969 + 4092 + 411 + 413 + 418 - 491)	24	85,547	888
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	210,481,080
TOTAL: (rows 24 to 28)	29	12,438,067	210,481,968

S.C. FONDUL PROPRIETATEA S.A.
BALANCE SHEET
AS AT 30 SEPTEMBER 2011
FORM CODE 10

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

(RON)

A	Row	Balance	
		01 January 2011	30 September 2011
	B	1	2
III. SHORT TERM FINANCIAL INVESTMENTS			
2. Other short term financial investments (acc. 5031 + 5032 + 505 + 5061 + 5062 + 5071 + 5072 + 5081 + 5082 + 5088 + 5089 - 593 - 595 - 596 - 597 - 598 + 5113 + 5114)	31	248,021,476	48,648,994
TOTAL: (rows 30 to 31)	32	248,021,476	48,648,994
IV. CASH AND BANK ACCOUNTS			
(acc. 5112 + 5121 + 5122 + 5123 + 5124 + 5125 + 5311 + 5314 + 5321 + 5322 + 5323 + 5328 + 5411 + 5412 + 542)	33	1,071,973,391	308,772,755
CURRENT ASSETS - TOTAL (rows 23 + 29 + 32 + 33)	34	1,332,432,934	567,903,717
C. PREPAID EXPENSES (acc. 471)	35	31,004	73,654
D. PAYABLES WITHIN ONE YEAR			
3. Advance from customers (acc. 419)	38	—	229,773
4. Trade payables (acc. 401 + 404 + 408)	39	25,529,058	27,873,463
7. Payables related to financial assets (acc. 1662 + 1686 + 2692 + 2693 + 4521 + 4528)	42	—	380,087
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	26,102,561
TOTAL: (rows 36 to 43)	44	69,287,395	54,585,884
E. NET CURRENT ASSETS OR NET CURRENT LIABILITIES (rows 34 + 35 - 44 - 60.2)	45	1,263,176,543	513,391,487
F. TOTAL ASSETS LESS CURRENT LIABILITIES (rows 19 + 45)	46	12,153,699,474	11,342,622,935

S.C. FONDUL PROPRIETATEA S.A.
BALANCE SHEET
AS AT 30 SEPTEMBER 2011
FORM CODE 10

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

(RON)

A	Row	Balance	
		01 January 2011	30 September 2011
	B	1	2
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	14,424,098	14,197,829
J. SHARE CAPITAL AND RESERVES			
I. SHARE CAPITAL (rows 62 to 63)			
out of which:	61	13,778,392,208	13,778,392,208
– subscribed unpaid share capital (acc. 1011)	62	—	372,527,672
– subscribed paid in capital (acc. 1012)	63	13,778,392,208	13,405,864,536
IV. RESERVES (rows 68 - 69 + 70 + 71 + 72 + 73 + 74)			
1. Legal reserves (acc. 1061)	68	102,524,308	102,524,308
2. Reserves related to impairment adjustments of financial assets (acc. 1062 – <i>debit balance</i>)	69	2,369,140,506	3,162,290,057
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	535,296,911
Profit allocation (acc. 129 – <i>debit balance</i>)	82	23,369,371	—
TOTAL SHAREHOLDERS' EQUITY (rows 61 + 64 + 65 - 66 + 67 - 75 + 76 - 77 + 78 - 79 + 80 - 81 - 82)			
	83	12,139,275,376	11,328,425,106

S.C. FONDUL PROPRIETATEA S.A.
INCOME STATEMENT
AS AT 30 SEPTEMBER 2011
FORM CODE 20

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

(RON)

A	Row	30 September 2010	30 September 2011
A	B	1	2
A. REVENUES FROM CURRENT ACTIVITY –			
TOTAL (row 02 to 11)	01	365,074,736	595,878,982
1. Revenues from financial assets (acc. 761)	02	209,279,125	509,465,353
4. Revenues from disposal of financial assets (acc. 758 (part) + 764)	05	—	9,941,406
6. Revenues from provisions, receivables previously written off and sundry debtors (acc. 754 + 781 + 786)	07	941,286	28,780,922
7. Revenues from foreign exchange differences (acc. 765)	08	43,375,919	1,552,347
8. Interest income (acc. 766)	09	111,318,571	34,567,562
10. Other income from current activity (acc. 705 + 706 + 708 + 741 + 758 (part) + 767 + 768 + 7815)	11	159,835	11,571,392
B. EXPENSES FROM CURRENT ACTIVITY –			
TOTAL (rows 13 to 20)	12	82,357,531	59,337,359
12. Expenses from disposal of financial assets (acc. 658 (part) + 664)	14	—	4,191,330
13. Expenses from foreign exchange differences (acc. 665)	15	55,608,355	874,115
14. Interest expense (acc. 666)	16	211	13
15. Commissions and fees (acc. 622)	17	2,360,136	13,276,470
16. Expenses for bank services and similar expenses (acc. 627)	18	67,201	50,939
17. Depreciation and amortisation, provisions, losses from receivables and sundry debtors (acc. 654 + 681 + 686)	19	107,626	11,705,864
18. Other expenses from current activity (rows 21 + 22 + 23 + 26 + 27)	20	24,214,002	29,238,628
a. Materials expenses (acc. 602 + 603 + 604)	21	156,153	332
b. Utilities expenses (water and energy) (acc. 605)	22	31,449	—
c. Salary expenses (rows 24 + 25), of which:	23	3,855,005	678,425
c1. Salaries (acc. 621 + 641 + 642 + 644)	24	3,038,352	552,346
c2. Social security contributions (acc. 645)	25	816,653	126,079
d. Third party expenses (acc. 611 + 612 + 613 + 614 + 623 + 624 + 625 + 626 + 628 + 658 (part) + 667 + 668)	26	12,103,260	28,438,310
e. Other taxes, duties and similar expenses (acc. 635)	27	8,068,135	121,561

S.C. FONDUL PROPRIETATEA S.A.
INCOME STATEMENT
AS AT 30 SEPTEMBER 2011
FORM CODE 20

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

(RON)

A	Row B	30 September 2010 1	30 September 2011 2
C. CURRENT RESULT			
– Profit (row 01 - 12)	28	282,717,205	536,541,623
19. TOTAL REVENUE (rows 01 + 30)	34	365,074,736	595,878,982
20. TOTAL EXPENSES (rows 12 + 31)	35	82,357,531	59,337,359
G. GROSS PROFIT:			
– Profit (rows 34 - 35)	36	282,717,205	536,541,623
21. INCOME TAX EXPENSE			
– Income tax expense (acc. 691)	38	12,138,473	1,244,712
H. RESULT FOR THE YEAR			
– Profit (rows 36 - 38 - 39)	40	270,578,732	535,296,911



**Franklin Templeton Investment
Management Limited United Kingdom,
Bucharest Branch**
Premium Point (7th & 8th Floors)
78-80 Buzzești Street, 1st District
Bucharest 011017
Romania



S.C. Fondul Proprietatea S.A
Premium Point (7th Floor)
78-80 Buzzești Street, 1st District
Bucharest 011017
Romania