

Valid as of 25 March 2011

ANNUAL  
ADMINISTRATOR'S REPORT  
for the financial year ended  
31 December 2010

Prepared in accordance  
with Law 297/2004,  
CNVM Regulation no. 1/2006,  
CNVM Order no. 75/2005



FONDUL  
PROPRIETATEA



S.C. FONDUL PROPRIETATEA S.A.



FRANKLIN TEMPLETON  
INVESTMENTS



## Contents

Company Information .....	2
Administrator's Letter to Shareholders.....	3
Analysis of the Activity of the Fund .....	7
Market for Securities Issued by the Fund .....	19
Management of the Fund .....	21
Financial Statements Analysis.....	31
Other Significant Events in the Activity of the Fund.....	36
Significant Subsequent Events.....	40
Approval of Annual Report .....	41
Annexes	
Annex 1 Financial Statements as at 31 December 2010 Prepared in Accordance with Romanian Accounting Standards and Auditor's Report .....	42
Annex 2 Changes in the Constitutive Act of Fondul Proprietatea S.A. During 2010.....	95
Annex 3 Major Contracts Concluded by Fondul Proprietatea S.A. in the Year 2010 .....	117
Annex 4 Documents of Resignation/Lay Off for The Member of the Board and Management of Fondul Proprietatea S.A. During 2010 .....	131

## Company Information

### The Company

- S.C. Fondul Proprietatea S.A. (“the Fund”) 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.
- Objective: long-term capital appreciation and investment in Romanian equities or equities linked securities.
- Managed by Franklin Templeton Investment Management Limited UK (“FTIML” or “Fund Manager”) since 29 September 2010.

### Stock Data as at 28 February 2011

BVB Symbol <sup>1</sup>	FP
Market Price <sup>2</sup>	RON 0.6125
Price Range <sup>3</sup>	RON 0.5795–RON 0.6495
NAV/Share	RON 1.1691
Discount	47.6%
Par Value/Share	RON 1.0000
Shares Outstanding	13,778,392,208

### Shareholder Structure as at 28 February 2011<sup>4</sup>

Ministry of Public Finance	36.8%
Romanian Private Individuals	30.8%
Foreign Institutional Shareholders	18.0%
Foreign Private Individuals	8.8%
Romanian Institutional Shareholders	5.6%

### Contact Details

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1. Bucharest Stock Exchange (“BVB”).

2. Source: BVB, closing price as at 28 February 2011.

3. Source: BVB, for the period 25 January–28 February 2011.

4. Source: Central Depository.

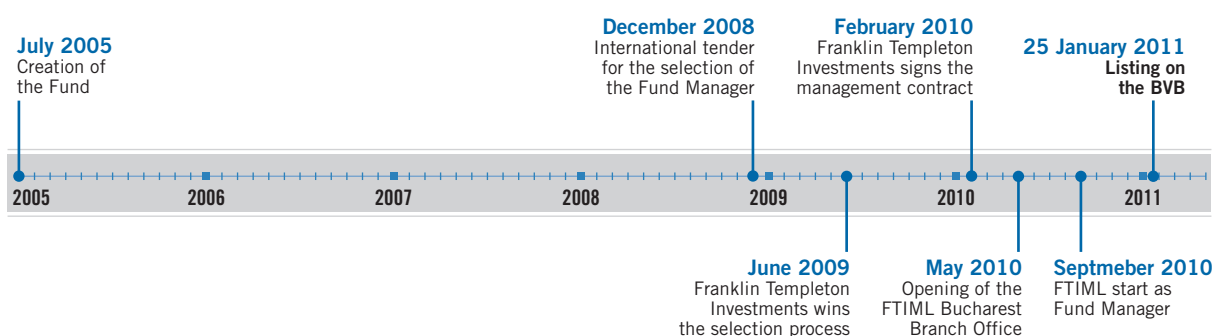
## Administrator's Letter to Shareholders

Dear Shareholders,

2010 was an exciting year for the Fund with major positive developments for its shareholders.

On 29 September 2010, FTIML was appointed Fund Manager and Sole Administrator of the Fund after a tender process that began in early 2009. It is our mandate as Fund Manager to actively manage the fund, unlock the value of the underlying companies and aim to provide the very best returns for shareholders over the long-term. As an experienced investment manager with a clear, distinct and solid investment process, our philosophy is based on a bottom-up, value-oriented, long-term approach to investing. Listing the Fund on the BVB was our first priority when we took over as Fund Manager. To ensure that the listing deadline of 25 January 2011 was met, we worked arduously and within tight deadlines, given that most of the preparatory work had to be completed by 31 December 2010.

### Timeline since Fund Inception



### Key Milestones

Some of the major steps undertaken to achieve the successful listing of the Fund on the BVB included:

- August 2010: Registration with the Romanian National Securities Commission (“CNVM”).
- August 2010: Publication of the Net Asset Value (“NAV”) of the Fund on a monthly basis, starting with August, 2010<sup>5</sup>.
- September 2010: Franklin Templeton Investment Management Limited UK Bucharest Branch takes over as Fund Manager and Sole Administrator of the Fund.
- October 2010: Distribution of a RON 1.1 billion dividend (0.0816 RON per share) for 2008 and 2009 (shareholders collected 98% of the total dividends by year-end).
- November 2010: CNVM approves a new regulation permitting the Fund to calculate the NAV using fair value principles.
- December 2010: S.C. Fondul Proprietatea S.A. becomes the first fund in Romania to publish a NAV applying fair value principles.
- December 2010: CNVM approves a new regulation to enable the creation of nominee accounts for the first time to facilitate brokerage service in preparation to the forthcoming listing of the Fund.
- January, 2011: Five years after its inception, the Fund is listed on the BVB amidst an intense period of promotional activity both locally and in various European markets to raise awareness of the Fund.

5. The first NAV published by the Fund was at 31 May 2010. The NAVs from May to July were published on a voluntary disclosure basis. The August NAV was the first official NAV submitted to the CNVM following the Fund's registration.

## Benefits of the Listing on the Bucharest Stock Exchange

The Fund's listing has been very significant in the Romanian Capital Market. Some of the developments arising from this event were:

- The Fund became the BVB largest free-float listing RON 5.2 billion (EUR 1.2 billion)<sup>6</sup> making it the most liquid share on the BVB.
- The capitalisation of the BVB increased by RON 8.2 billion (EUR 1.9 billion) with the listing of the Fund.
- Large foreign investors can now access unique exposure to key Romanian companies via Fondul Proprietatea's underlying portfolio, by trading on the BVB's modernised platform.
- 1.6 billion shares of the Fund were traded on the BVB in the first month of the Fund's trading. This is equivalent to 11.8% of the Fund's equity. The value of all trades in the Fund's shares exceeded RON 1 billion, while the total number of trades reached 27,191 in the first month<sup>7</sup>.
- The listing of the Fund led to a tripling of the average daily turnover in comparison with 2009 and 2010, with the average daily value of Fondul trades amounting to over 59% of the total turnover of the BVB – by far the most traded share<sup>8</sup>.

## Buyback Program

In an effort to enhance shareholder value, we have already announced a buy-back programme that will allow the Fund to repurchase its own shares in the open market. Such a programme is a common tool, especially for closed-end funds and it essentially means that a company can absorb a limited number of shares from the market, thus reducing the number of outstanding shares and increasing the relative ownership stake of each investor. Buying its own shares means that the Fund is buying assets below their true value. For example, if the actual value of each share is close to RON 1.00 but the market price is RON 0.60, each share purchase increases the value of the Fund's assets by RON 0.40.

There are certain conditions imposed upon the Fund's buy-back programme:

- The Fund's shareholders have given approval to purchase up to 10% of outstanding shares until 1 March 2012.
- Shares can only be acquired within the price range of RON 0.2 to RON 1.5 per share. Of course no shares will be purchased unless the shares are selling at a discount to their NAV.
- The Fund cannot purchase more than 25% of the average daily volume of the shares in any one day.
- Public disclosure of any buy-backs must be made after the repurchase of shares no later than the end of the seventh daily market session following the date of execution of the transaction.

It is important to note that according to the 31 December 2010 financial statements, the Fund has RON 120.3 million in available reserves that could be used for the share buybacks. The available distributable profits for year 2010 not distributed as dividends following the shareholders' decision may increase this amount.

## NAV and Financial Results

The Net Asset Value ("NAV") per share is the key indicator for the Fund's performance. At the end of 2010, the NAV per share was RON 1.1124, with a total valuation of the Fund of RON 15.3 billion. The net statutory profit for 2010 was RON 456.2 million, while total Shareholders' Equity at 31 December was RON 12.1 billion.

The NAV increased by 28 February 2011 to RON 1.1691, giving a total Fund value of RON 16.1 billion.

6. Source: Central Depositary as at 31 January 2011 and BVB.

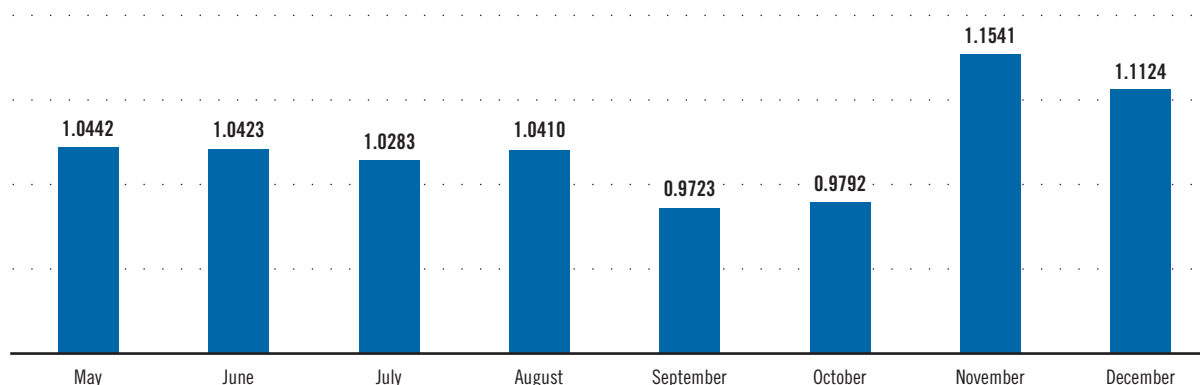
7. Source: BVB for the period 25 January 2010–25 February 2011.

8. Source: BVB as at 28 February 2011.

The difference between NAV (calculated according to CNVM Regulations) and Shareholders' Equity (calculated according to Romanian Accounting Standards) principally stems from the different valuation methodologies applied to financial assets, as illustrated in the following table:

	CNVM Regulations	Romanian Accounting Standards
Listed securities	Valued at closing market price	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

The following chart shows the NAV values since May 2010:



\* In November NAV, the methodology was changed by CNVM in accordance with Disposal of Measures 17 from 25 November 2010.

## Outlook for 2011

From a macroeconomic perspective, 2011 will likely be the year of Romania's emergence from a prolonged recession with an estimated GDP growth of 1 to 2%<sup>9</sup>. This development along with continued improvement of industrial production, retail sales, lower inflation and interest rates should add to the positive outlook for the local capital market. As Fund Manager, we intend to capitalise on the opportunities that may arise from this positive environment.

## Unlocking Value: the Next Steps

While 2010 was an exceptionally busy year in terms of the preparatory work toward successfully listing the Fund on the BVB, there is still much work to be done in 2011. We look forward to working with the Fund's shareholders, portfolio companies, the Romanian Government and the investment community both locally and internationally, to continue promoting the Romanian capital market and to further increase domestic and foreign interest in the long-term opportunities of the portfolio through road shows, presentations and meetings with both institutional and retail investors. We are also considering the potential benefits of a secondary listing of the Fund on another exchange and the detailed analysis phase of this project has already begun. We hope to present the initial findings and recommendations of this review by late June 2011 and any action on this initiative will require shareholder approval.

In the short to medium term, our key priority is unlocking the long-term value of the underlying portfolio holdings through our active management investment process. A primary focus will be on taking actions to ensure strong corporate governance that, in our view will benefit both the underlying companies and other stakeholders. These include:

- Introducing proper corporate governance practices and streamlining decision-making processes for the underlying portfolio companies.
- Working to ensure proper corporate governance standards in the activity of over 20 underlying companies through the Fund representation on their Boards of Directors.

9. Brokerage reports as at January–February 2011.

- Advising portfolio companies' management on improvement measures to increase efficiency, profitability and transparency of state-controlled companies (e.g. our recent action of encouraging the Government to change existing plans regarding the energy champions Electra and Hidroenergetica).
- Bringing foreign expertise and additional financing to portfolio companies.
- Further improving transparency in the Fund through improved disclosure related to unlisted portfolio companies.
- Supporting and advising management on planned IPOs and SPOs of the underlying state-controlled companies.
- Analyzing and executing new investments for the Fund in Romania and in other Central European countries as per the Fund's objectives.

We are firm believers that the listing of state-owned companies and secondary public offerings of these companies will be beneficial to the Government, the Romanian Capital Market, and ultimately the shareholders of the Fund.

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

### General Shareholders Meeting

Last but not least, we would like to take this opportunity to invite all shareholders to attend the General Shareholders Meeting to be held in Bucharest on Wednesday, 27 April 2010.



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



Dr. Mark Mobius  
Executive Chairman  
Templeton Emerging Markets Group



# Analysis of the Activity of the Fund

## General Information

### Main Activities of SC Fondul Proprietatea SA

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

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

### Incorporation of the Fund

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

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

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

At 31 December 2010 the Romanian state held 38.9% of the Fund’s share capital. The remainder was held by private legal entities and individuals. After the listing of the shares on the regulated market of the BVB early in 2011, the shareholders have been able to trade their shares on a transparent and liquid market and as a result there have been further changes in the shareholder structure. The Fund releases monthly updates of its shareholder structure.

### Share Capital

During the period from the incorporation of the Fund until the end 2010 the share capital underwent a series of changes. The developments are described below:

<b>22 July 2005</b>	The Fund was created by Law 247 regarding the reforms in the sectors of justice and property as well as certain related measures (“Law 247”). The Fund’s share capital was unspecified at this stage.
<b>5 December 2005</b>	Government Decision no. 1481 enacted the Fund’s articles of association, pursuant to which the Fund’s share capital amounted to RON 14,240,540,675 (consisting primarily of in kind contribution of the Romanian state, representing mostly stocks held by the Contributing Entities in various companies). No evaluation of the assets contributed to the Fund’s share capital was carried out at the time to substantiate this figure.
<b>February 2006</b>	The Ministry of Public Finance commenced contributing to the share capital of the Fund certain amounts in cash, deriving from the foreign receivables collected by the Romanian state from various countries.
<b>February–March 2006</b>	The Fund was created by Law 247 regarding the reforms in the sectors of justice and property as well as certain related measures (“Law 247”). The Fund’s share capital was unspecified at this stage.

<b>29 June 2007</b>	Emergency Government Ordinance 81/2007 for the acceleration of the compensation procedure related to the real estate abusively confiscated (“Emergency Government Ordinance 81”), amended Law 247, acknowledged the need to evaluate the Romanian state’s contribution to the Fund’s share capital and hence established the evaluation criteria for the Fund’s portfolio assets. By the same law certain stocks were removed from the Fund’s portfolio, while the Fund’s participation in certain companies was increased and other assets were added.
<b>October 2007</b>	The evaluation report prepared by an independent evaluator in accordance with the provisions of Emergency Government Ordinance 81 revealed that the value of the assets contributed to the share capital of the Fund, determined based on the rules set out in this emergency ordinance, amounted to RON 13,282,601,016 (i.e. RON 957,939,659 less than the value of the Fund’s initial share capital of RON 14,240,540,675). Shares corresponding to this amount and allocated to the Romanian State were deemed unpaid.
<b>October 2007–July 2010</b>	The Romanian state contributed cash/securities for the payment of the unpaid shares from various sources regulated by Law 247.
<b>17 July 2010</b>	Law no. 142/2010 has been enacted, instituting that the Fund’s share capital had to be reduced by decision of the Supervisory Board from RON 14,240,540,675 to RON 13,757,592,587, by annulment of a total number of 482,948,088 unpaid shares of the Romanian state.
<b>July 2010</b>	In line with the provisions of Law 247, the Supervisory Board approved the decrease in the Fund’s share capital as referred to above.
<b>3 August 2010</b>	The Supervisory Board approved an increase in the Fund’s share capital from RON 13,757,592,587 to RON 13,778,392,208, reflecting the contributions of the Ministry of Public Finance from dedicated sources to the share capital of the Fund.

The shareholder structure as at 31 December 2010 was as follows:

Ministry of Public Finance	38.9%
Romanian Private Individuals	31.5%
Foreign Institutional	13.6%
Foreign Private Individuals	10.2%
Romanian Institutional	5.9%

Source: Central Depository, as at 31 December 2011.

### Governing Legislation

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

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

## Branches

During 2010 the Fund did not have any branches.

## Subsidiaries

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

Name	Ownership interest	Reference Date
Alcom S.A.	71.9%	15 October 2010
Carom – Broker de Asigurare S.A.	70.0%	7 October 2010
Comsig S.A.	69.9%	5 October 2010
Delfincom S.A.	65.5%	15 October 2010
Prestari Servicii S.A.	70.6%	15 October 2010
Primcom S.A.	79.0%	15 October 2010
Romplumb S.A.*	57.9%	15 October 2010
Telerom Proiect S.A.	68.6%	15 October 2010
Zirom S.A.	100.0%	31 August 2007

\*Note: According to Law 247 the Romanian State contributed to the share capital of the Fund with 1,595,520 shares of S.C. Romplumb S.A. ("Romplumb"). Pursuant to the Central Depository excerpt dated 15 October 2010, the equity participation of the Fund in Romplumb represented 57.9%. In accordance to the Trade Registry excerpt dated 15 October 2010, the equity participation of the Fund in Romplumb represented 51.0%. The difference stems from a litigation with respect to the share capital increase of which the Fund was not a part. As a result, the Fund adopted a conservative approach and considered the lowest percentage for the calculation of the NAV.

## Corporate Reorganisation

During the 2010 financial year there were no mergers or significant reorganisations of the Fund or its subsidiaries.

## Analysis of the Portfolio of the Fund

### Net Asset Valuation

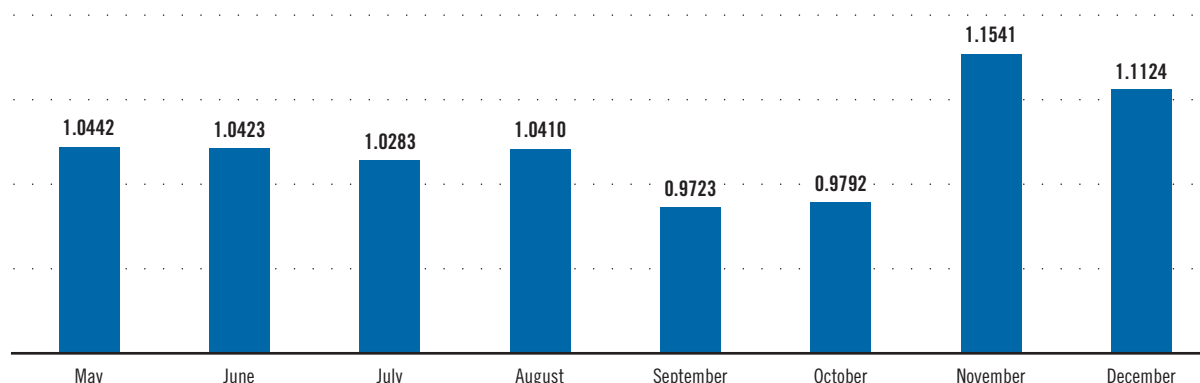
The key performance indicator of the Fund is its Net Asset Valuation. The Fund was registered with CNVM in August 2010, which paved the way for the listing, and also triggered the requirement for the Fund to publish a monthly net asset valuation per share, and started the live operation of the Fund's contract with Bancpost as depositary. The deadline for publication is 15 calendar days after reporting month end. The first NAV published by the Fund was as at 31 May 2010. The NAVs from May to July were published on a voluntary disclosure basis, as the August NAV was the first official one submitted to CNVM following the Fund's registration with CNVM. The NAVs are published monthly on the Fund's website at: [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro).

### NAV Methodology

During late 2010 FTIML collaborated with CNVM to bring about significant changes to the NAV methodology, permitting the use of valuation techniques more closely aligned to international standards. Until October 2010, the NAV was computed according to CNVM Regulation 4/2010. Illiquid or unlisted securities were priced at book value and adjusted by defined discounts, while listed securities were valued at an average market price calculated on a prior 90 days trading basis.

From November 2010, CNVM Regulation 4/2010 was amended by the Disposal of Measures 17 from 25 November 2010, after discussions between the Fund Manager and CNVM on best international practices for the Fund given its imminent listing. The changes were that illiquid or unlisted securities should be valued at either book value (the discounts were eliminated), or according to international valuation standards, which permits fair valuation, while listed securities should be valued at closing market prices. The Fund Manager first applied fully the revised CNVM valuation standards to the 31 December 2010 NAV.

The following chart shows information on all NAVs published in 2010:

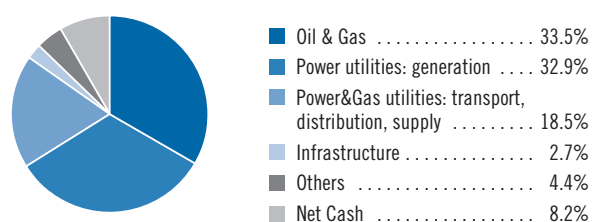


\* Starting with November NAV, the methodology was changed by CNVM in accordance with Disposal of Measure 17 from 25 November 2010.

### Investment Strategy and Portfolio Analysis

The Fund's investment objective remains long-term capital appreciation via investments mainly in Romanian equities and equity-linked securities. As far as the portfolio is concerned, the stakes in portfolio companies account for more than 90% of the Fund's NAV. As at 31 December 2010, the Fund's portfolio included stakes in 83 companies (28 listed and 55 unlisted), including both privately held and state controlled entities. The Fund's percentage share of its investments ranges from less than 2% up to 100% (during 2010).

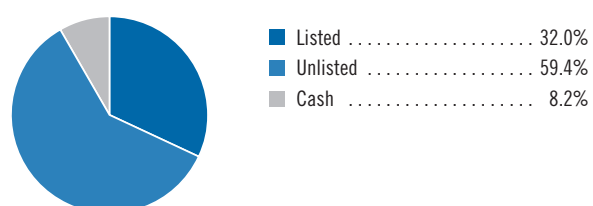
### Portfolio Structure – by Sector



- The portfolio is heavily weighted in the power, oil and gas sectors (approx. 85% of the NAV), offering unique exposure to the energy sector
- Net cash includes bank deposits, current accounts, treasury bills, as well as other current assets, and is net of all liabilities and provisions

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2010 based on percentage of the NAV.

### Portfolio Structure – Equity Investments – Listed versus Unlisted



- The largest unlisted company is Hidroelectrica (36% of total value of unlisted companies from the Fund portfolio)
- The largest listed company is OMV Petrom (77% of total value of listed companies from the Fund portfolio)

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2010 based on the NAV.

## Top 10 Equity Investments

No.	Name	NAV (mn RON)	NAV (mn EUR*)	%
1	OMV Petrom S.A.	3,816	890.6	24.9%
2	Hidroelectrica S.A.	3,287	767.1	21.4%
3	Romgaz S.A.	1,246	290.7	8.1%
4	Nuclearelectrica S.A.	706	164.7	4.6%
5	Complexul Energetic Turceni S.A.	530	123.7	3.5%
6	Transgaz S.A.	494	115.3	3.2%
7	Enel Distribuție Muntenia	325	75.8	2.1%
8	CN Aeroporturi București S.A.	322	75.3	2.1%
9	GDF Suez Energy Romania (formerly Distrigaz Sud)	303	70.6	2.0%
10	ENEL Distribuție Banat S.A.	278	64.9	1.8%
<b>Top 10 portfolio holdings</b>		<b>11,306</b>	<b>2,639</b>	<b>73.8%</b>
<b>Total financial assets (portfolio holdings)</b>		<b>14,079</b>	<b>3,286</b>	<b>91.9%</b>
<b>NAV as at 31.12.2010</b>		<b>15,328</b>	<b>3,577</b>	<b>100.0%</b>
<b>NAV/share (RON/share and EUR/share)</b>		<b>1.1124</b>	<b>0.2596</b>	

\* Values in EUR calculated using the National Bank of Romania rate as at 31 December 2010.

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch data as at 31 December 2010 based on the NAV.

## Key Portfolio Developments

### Buy and Sell Transactions

In 2010 the Fund acquired 3,925,000 shares in BRD – Groupe Societe Generale S.A. As at 31 December 2010 the equity investment in BRD accounted for 0.3% in NAV.

No sale transactions of equity investments were carried out by the Fund during 2010.

### Mergers

During 2010 there were several significant developments regarding the underlying companies within the portfolio, as follows:

#### *CN Aeroporturi București S.A.*

In February 2010, the merger between the two international airports in Bucharest (Aeroportul Internațional Henri Coanda București S.A. and Aeroportul Internațional București Băneasa Aurel Vlaicu S.A.) became effective. The General Meeting of Shareholders' Decision no. 10 from 28 September 2009 unanimously approved the merger of CN Aeroportul Internațional Henri Coandă S.A. and SN Aeroportul Internațional București Băneasa Aurel Vlaicu S.A. The Fund supported the merger and voted in favour of it at the General Shareholder Meetings held in November 2009, endorsing the operation at the shareholders' meetings of the two companies involved in the merger, held at the end of November 2009. The share capital of the new entity was RON 143,772,150, representing 14,377,215 shares.

The shareholding structure of the resulting company CN Aeroporturi București SA is as follows:

- Ministry of Transport holds 11,501,772 shares (representing 80% of the share capital of the company);
- The Fund holds 2,875,443 shares (representing 20% of the share capital of the company).

After the merger, the Fund's interest in the newly incorporated company remained undiluted.

***S.C. E.ON Energie Romania S.A.***

E.ON Gaz Romania S.A took over E.ON Moldova Furnizare S.A and the merger of the two entities was approved by the Extraordinary General Shareholders Meetings of both companies in November and became effective on 31 December 2010.

At the same time, the share capital of E.ON Gaz Romania S.A. increased by RON 25.8 million, to RON 184.7 million, of which the Fund holds 13.4%. Following the merger, E.ON Gaz Romania S.A. changed its name to E.ON Energie Romania S.A. and E.ON Moldova Furnizare S.A. has been removed from the Trade Register. The Fund received 0.7455 new shares in E.ON Energie Romania S.A. for every share previously held in E.ON Moldova Furnizare S.A. The Fund has decided to challenge in Court the merger decision on the grounds that the new holding allocated to the Fund did not reflect a fair valuation of the Fund's prior interest.

***S.C. Electra S.A. and S.C. Hidroenergetica S.A.***

In 2009 the Ministry of Economy began consultation regarding the reorganization of the electricity production sector into two energy “champions”. After several delays, on 29 January 2010, the Government ratified the setup of the two energy companies by Government Decision no. 56/2010, later revised by the Government Decision no. 357/2010. The details of the plan for the creation of the two energy giants were published in the Official Gazette on 15 October 2010. The proposed names for the two companies are Electra and Hidroenergetica.

Electra would be formed through the merger of Nuclearelectrica, Societatea Nationala a Lignitului Oltenia (The National Lignite Company), Complexul Energetic Turceni (Thermo Power Plant Turceni), Complexul Energetic Rovinari (Thermo Power Plant Rovinari) and Complexul Energetic Craiova (Thermo Power Plant Craiova) with Hidroelectrică's spun-off assets, namely Ramnicu Valcea, Sibiu, Targu Jiu and Hidroserv Ramnicu Valcea subsidiaries. The spun-off assets were valued by KPMG based on end-2009 financial statements at RON 3.2 billion and accounted for 19.2% of Hidroelectrică's net asset value.

Hidroenergetica would be formed through the merger of the remaining Hidroelectrică assets with two Termoelectrica subsidiaries – Electrocentrale Deva and Electrocentrale Bucuresti (thermo power plants).

This reorganisation plan has faced delays and opposition from various stakeholders. The Fund disputed the proposed merger plan and voted against it during the General Shareholders' Meetings on the 19 November 2010. The Fund has subsequently initiated legal action against the shareholders' decisions and as a result, the merger plan is suspended in court at the date of this report.

Proposed shareholding structure of Electra and Hidroenergetica:

	Electra	Hidroenergetica
Ministry of Economy	84.4%	63.8%
Fondul Proprietatea S.A.	15.1%	15.9%
Termoelectrica S.A.	0.3%	20.2%
National Company for Mines Closing and Conservation	0.1%	—
Hidroelectrică S.A.	0.1%	—

Source: Official Gazette as of 15 October, 2010.

***S.C. Electrica Furnizare S.A.***

On 8 November 2010, the General Shareholders Meetings of Electrica Furnizare Transilvania Nord S.A., Electrica Furnizare Muntenia Nord S.A. and Electrica Furnizare Transilvania Sud S.A. approved in principle the merger of the 3 companies and delegated to the companies' Boards of Directors the responsibility to plan the merger project. The final General Shareholders Meetings to approve the merger project and the merger of the 3 companies have not yet been held.



## Other Significant Portfolio Matters

### *Bankruptcies, Insolvencies and Dissolutions*

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

- S.C. Bat Service S.A. (sole registration code 16086637) is a company under bankruptcy procedure starting with 26 May 2010 according to the Commercial Decision 666 issued by the Buzau Court related to file 4339/114/2009.
- S.C. FECNE S.A. (sole registration code 369432) is a company under bankruptcy procedure starting with 4 October 2010, according to the Commercial Decision 6001 issued by the Bucharest Court related to file 23328/3/2010.
- S.C. Simtex S.A. (sole registration code 324490) is a company under bankruptcy procedure starting with 1 September 2010, according to Commercial Decision 5213 issued by the Bucharest Court related to file 5768/3/2008.
- S.C. Carbid Fox S.A. (sole registration code 1247115) is a company under bankruptcy procedure starting with 2 April 2007, according to Commercial Decision 381 issued by the Mures Court related to file 1137/1371/2007.
- S.C. Gerovital Cosmetics S.A. (sole registration code 334493) is a company under insolvency procedure starting with 18 January 2007, according to Commercial Decision 142 issued by the Bucharest Court related to file 5846/3/2005.
- S.N. Plafar S.A. (sole registration code 11945506) is a company under insolvency procedure starting with 16 March 2009, according to Commercial Decision 1528 issued by the Bucharest Court related to file 3368/3/2009.
- S.C. Retizoh S.A. (sole registration number 2326110) is a company under voluntary dissolution procedure.

The companies are reflected at zero value in the NAV.

### *Litigations*

The Fund has a legal claim to receive shares in S.C. Uzina Mecanica Bucuresti S.A. (Subsidiary of Compania Nationala Romarm) ("Uzina Mecanica") and S.C. Electromecanica S.A. Ploiesti (Subsidiary of Compania Nationala Romarm) ("Electromecanica") but Compania Nationala Romarm ("Romarm") is refusing to carry out this operation, invoking a legislative flaw.

According to article 1 paragraph 1, point 2.23 and 2.24 from Government Emergency Ordinance ("G.E.O.") no. 81/2007, the Authority for Recovery of the State Assets ("AVAS") should transfer to the Fund 1,002,301 shares of Electromecanica and 2,951,053 shares Uzina Mecanica, Electromecanica and Uzina Mecanica are subsidiaries of Romarm, a company held 100% by AVAS. Given that the text of the ordinance states that these blocks of shares shall be transferred from AVAS and not from Romarm, the companies refused to register the Fund as a shareholder, although there have been several requests in this respect.

The Fund requested that AVAS, as sole shareholder of Romarm, should take all the necessary measures in order to call the general shareholders meetings of shareholders of Uzina Mecanică and Electromecanica to grant a power of attorney to their boards to register the Fund both in the shareholders registry and at the Trade Registry.

Currently, the Fund has two ongoing litigations requesting the registration of the Fund in Electromecanica (1,002,301 shares claimed) and Uzina Mecanică (2,951,053 shares claimed):

- File no. 34527/3/2009 – Court of Appeal Bucharest: the Fund requested that Uzina Mecanica be required to record in the shareholders' registry the Fund's entitlement to 2,951,053 shares, acquired on the basis of G.E.O. no. 81/2007. In this file, the Bucharest Court rejected an application for summons filed by the Fund in the first stage. The Fund appealed the decision and the appeal is next due to be heard on 15 March 2011.

- File no. 4512/105/2009 – Supreme Court of Justice: the Fund requested that Electromecanica be required to record in the shareholders' registry the Fund's entitlement to over 1,002,301 shares acquired on the basis of G.E.O. no. 81/2007. In this file, the Ploiesti Court rejected an application for summons filed by the Fund in the first stage. The Fund appealed the decision and the Court of Appeal Ploiesti rejected the appeal. The Fund filed a second appeal and the file will be transferred to the Supreme Court of Justice.

The value of participations (stakes) in Uzina Mecanica and Electromecanica in the total amount of RON 41.4 million, is included in the share capital of the Fund. These financial assets (equity investments) are reflected with 0 values in both NAV and financial statements as at 31 December 2010.

*Participation in share capital increases of portfolio companies*

On 30 November 2010, the shareholders of **S.C. Petrotel-Lukoil S.A. Ploiesti** approved a share capital increase worth RON 583.2 million, by issuing 23.2 million new shares (23.6% of the existing number of shares) at the price of RON 25.1 per share. The share capital increase was motivated by the company's financial situation, the refinery registering at the end of December 2009 negative equity of RON 363.8 mil.

Shareholders were granted preferential rights to take up this offer. The Fund decided not to participate in the share capital increase. As at 31 December 2010 the share capital increase had not been finalized.

**S.N. Plafar S.A.** operated an in-kind share capital increase worth RON 0.68 mil. The in-kind contribution represents the value of a plot of land located in Craiova contributed by the majority shareholder – the Ministry of Economy, Commerce and Business Environment ("MECMA"). Based on a special provision of Law 247, the Fund was allotted 33,474 out of the 68,315 new shares issued, without any further cash or in-kind contribution. Consequently the Fund maintained an undiluted stake in the company.

**S.C. Hidroelectrica S.A.:** In December 2009 the company's Board of Directors approved a share capital increase of RON 2,882,980 representing value of land and the share capital increase was finalized in 2010. Thus, the share capital of Hidroelectrica increased from RON 4,438,084,670 to RON 4,440,967,650 while the shareholder structure remained the same.

**S.C. Laromet S.A.:** On 19 December 2009, the shareholders of the company approved a combined in-kind and cash share capital increase worth RON 13.6 million with the company issuing 135.5 million new shares (62.9% of the existing number of shares) at the face value of RON 0.1 per share. The majority shareholder participated in the share capital increase with an in-kind contribution worth RON 11.0 million consisting of materials and equipment. The Fund did not participate in the share capital increase and its stake in S.C. Laromet S.A. was diluted from 6.5% to 4.2%. At the end of the subscription period a total number of 118.9 million shares have been subscribed. The unsubscribed shares were cancelled.

**S.C. Marlin S.A.** approved a share capital increase of RON 110,000 from RON 579,411 to RON 689,411, each share having a nominal value of RON 0.1. After the capital increase, the structure of S.C. Marlin S.A. is as follows:

- S.C. Hoffmann International Com S.R.L. has a number of 3,793,708 shares, with a value of RON 379,370.8, representing 55.0% of the share capital,
- Jaklovzky Gheorghe has a number of 1,814,589 shares, with a value of RON 181,458.9, representing 26.3% of the share capital,
- the Fund has a number of 341,326 shares with a total value of RON 34,132.6 representing 5.0% of the share capital,
- other shareholders have a total of 944,497 shares with a total value of RON 9,448.7 representing 13.7% of the share capital.



## Employees of the Fund

Until 28 September 2010, the Fund was administered by a Supervisory Board comprising of 7 members and by a Directorate comprising of 3 members, under a two-tier system of administration. The members of the Supervisory Board and the members of the Directorate were not employees of the Fund, but administrators operating on the basis of mandated contracts. On 28 September the former Directorate terminated the labour contracts of the majority of employees with the exception of the administration manager of the Fund who continued as an employee on a transitional basis, and of two employees who were on child care leave whose labour agreements were suspended.

On 29 September 2010, the system of administration was changed and the two-tier system was replaced by a sole administration system. On this date the Fund Manager took over the management of the Fund. Given that the Fund is administrated by the Fund Manager, it is envisaged that in future the Fund will not have any employees, and the termination of the remaining contracts will occur according to Romanian legislation. The Fund's employees are not members of trade unions.

The activity of the employees was performed in line with their contracts and in compliance with the Fund's Internal Regulations. There were no disputes between the management and employees during the year.

## Financial Risk Management

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

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

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

### Market Risk

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

#### *Foreign Currency Risk*

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

As at 31 December 2010, the balances in foreign currency were not significant. Cash and bank accounts denominated in foreign currency were insignificant (Euro 3,295, USD 281 and GBP 163), while liabilities in foreign currency (payables to services providers) amounted to Euro 1,727,502 (RON 7,401,999 equivalent).

The Fund considers that its functional currency is the national currency (Leu).

#### *Interest Rate Risk*

The majority of the financial assets of the Fund are not interest bearing. The interest bearing financial assets (deposits and treasury bills) have short term maturity, deposits up to 4 months and treasury bills up to 6 months. As a result, the Fund has a limited exposure to variations in interest rates.

*Price Risk*

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

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

**Credit Risk**

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

Regarding the treasury bills held, the credit risk is low to moderate, given that their issuer is the Romanian State through the Ministry of Public Finances.

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

**Liquidity Risk**

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

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

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

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

**Operational Risks**

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

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

## Operating Environment

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

The ongoing global credit and liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, lower level and difficult access to the capital market funding and lower liquidity levels across the Romanian banking sector.

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

## Key Financial Activity of the Fund

### Fund Liquidity

#### Summary % net cash & cash equivalents in NAV

	RON million							
	31 May 2010	30 Jun 2010	31 Jul 2010	31 Aug 2010	30 Sep 2010	31 Oct 2010	30 Nov 2010	31 Dec 2010
Current Accounts	0.7	0.7	0.7	0.7	0.8	36.1	25.3	7.2
Bank Deposits	2,209.3	2,246.8	2,289.5	2,302.2	2,347.3	1,422.6	1,188.4	1,071.3
Treasury Bills	—	—	—	—	—	—	207.8	248.0
Total Liabilities	(2.6)	(9.2)	(11.0)	(9.6)	(1,140.6)	(247.3)	(115.3)	(69.3)
<b>Net Cash &amp; Cash Equivalents</b>	<b>2,207.4</b>	<b>2,238.3</b>	<b>2,279.2</b>	<b>2,293.3</b>	<b>1,207.5</b>	<b>1,211.4</b>	<b>1,306.2</b>	<b>1,257.2</b>
<b>Net Assets Value</b>	<b>14,869.3</b>	<b>14,842.9</b>	<b>14,643.5</b>	<b>14,322.8</b>	<b>13,396.9</b>	<b>13,491.9</b>	<b>15,901.9</b>	<b>15,328.2</b>
<b>% Net Cash &amp; Cash Equivalents in NAV</b>	<b>14.9%</b>	<b>15.1%</b>	<b>15.6%</b>	<b>16.0%</b>	<b>9.0%</b>	<b>9.0%</b>	<b>8.2%</b>	<b>8.2%</b>

The table above shows the change in the net cash position as a percentage of the NAV. The decrease in net cash was due mainly to the dividend of RON 0.0816 per share paid from October 2010 relating to 2008 and 2009 profits. As at 31 December 2010 the net cash position of the Fund was RON 1.3 billion or 8.2% of the NAV.

### Capital Expenditure

The capital expenditure of the Fund in 2010 and 2009 was not significant at RON 22,427 and RON 23,563 respectively. The Fund does not expect to incur any capital expenditure in the future.

### Total Expense Ratio

The total expense ratio of the Fund for 2010 was 0.34%. This figure represents the total expenses of the Fund divided by the 31 December 2010 NAV. For the purpose of this calculation, expenses do not include foreign exchange losses, interest expense or income tax. It should be noted that the expenses and fees were chargeable on a different basis before and after 29 September 2010, due to the different administrators in place. Some expenses such as CNVM fees and investment management fees were only charged for part of 2010, and the total expense ratio for 2011 will take account of these for 12 months and not for a part year only.

### Income from Investments

The main activity of the Fund is investments in Romanian equities. As such, the evolution of the Romanian stock market might affect the performance of the Fund. Overall local stock market evolution was positive in 2010. The BET Index reflecting the evolution of the top ten most liquid stocks listed on the BVB closed the year 12.3% higher year on year to 5,268.6 points. Over the same period, the broader local market BET-C Index, advanced by 14.6% reaching 3,111.1 points. During the year, the BET-C Index reached a maximum value of 3,655.2 points in April but retrenched towards the end of the following months to a minimum level of 2658.2 points.

#### BET



#### BET-C



Source: BVB.

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

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

## Market for Securities Issued by the Fund

### Trading of Shares in the Fund

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

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

The prospectus includes all material information about the Fund as required by the European Union and CNVM regulations, including profiles of all the companies in the Fund's portfolio. The information provided in the prospectus will allow shareholders and potential investors to better assess the value of the Fund. A copy of the prospectus and its annexes are available at [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro).

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

The records of shares and shareholders are kept under the conditions of the applicable law by an independent registrar company, S.C. Depozitarul Central S.A. ("Central Depository"), with the registered office at Bucuresti, 25 Fagaras St, District 1.

### Dividends

#### Dividend Policy

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

#### Dividend History

The amount of total gross dividend, gross dividends per share for 2006–2009, total number of shares, as well as the status of dividend payment as at 31 December 2010, are included in the table set out below:

Financial year	Gross dividend declared (RON)	Gross dividend per Share (RON/share)	Total number of shares	Status of dividend payment (%)
2006	36,076,046	0.0025	14,240,540,675 shares*	99%
2007	89,997,678	0.0066	13,644,179,910 shares*	99%
2008–2009 (aggregate)	1,124,316,804	0.0816	13,778,392,208 shares*	98%

\* The total number of shares based on which the dividends have been distributed is the number of shares representing the share capital of the Fund at the registration date established by the GSM approving the distribution of dividends less the total number of unpaid shares.

### Share Buy-Back Program

On 6 September 2010 the Fund's General Shareholders Meeting approved a buy back program of the Fund's shares. The permission to buy back shares was granted until 1 March 2012 for up to 10% of the outstanding shares that can be acquired only within the share price range of RON 0.2 to RON 1.5 per share. Procedures regarding the buy-back program must comply with EU regulations. As a result, the Fund can not purchase more than 25% of the average daily volume of the shares in any one day, and the average daily volume figure must be based on the average daily volume traded in the 20 trading days preceding the date of purchase. This means that effectively the Fund can only buy back shares after the first 20 trading days have passed (i.e. 22 February 2011). Public disclosure of any buy-backs would be made no later than the end of the seventh daily market session following the date of execution of such transactions. There is no requirement for any additional advance notification before the share buybacks start.

### Subsidiaries Owning Parent Company Shares

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

### Issued Debt

The Fund had no bonds or other debt securities in issue during 2010.

# Management of the Fund

## Corporate governance

The Fund is in the process of preparing a clear and transparent corporate governance framework that is expected to be concluded by July 2011. The framework will set out clearly, for public reference, the main aspects of the Fund's corporate governance structure, the respective functions of the Board of Nominees and the Fund's Sole Administrator, as well as their powers and responsibilities.

## The Fund's shareholders

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

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

As far as the voting rights are concerned, notwithstanding the above general rules, as long as the Ministry of Public Finance holds more than 33% of the shares (see further below) the Constitutive Act provide specifically that the exercise of the voting rights attached to the Shares is restricted, based on certain thresholds, in accordance with the following rules:

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

The above mentioned restrictions on the exercise of the voting rights attached to the shares do not apply to the holdings of the Ministry of Public Finance. However, after the Romanian state's participation in the Fund's share capital falls below 33%, the general shareholders meeting may decide on the voting rights as well as on the meeting's quorum, in accordance with the number of shares held, pursuant to the applicable law.

On 31 December 2010, the holding of the Ministry of Public Finance in the Fund's shares was 38.9% and as at 31 January 2011 it was 36.8%.

Any other decisions that would result in changes to, or restrictions on shareholder rights are usually made by general shareholders' meetings. Other than the voting right outlined above, the Constitutive Act does not specify any further special conditions on such rights than those specified by law.

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

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

The Fund is committed to encouraging shareholders to participate in shareholders general meetings, as well as the full exercise of their rights.

General meetings of shareholders enable and encourage dialogue between the shareholders and the Fund and its representatives. The Fund encourages its shareholders to take part in meetings, and those who cannot attend are able to vote in absentia by exercising a proxy.

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

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



### Members of the Supervisory Board before 29 September 2010

Prior to the administrative system change in September, the structure of the Supervisory Board was as follows:

Period 1 January– 26 February 2010	Period 27 February– 7 May 2010	Period 7–13 May 2010	Period 14 May– 10 June 2010	Period 11 June– 14 July 2010	Period 15 July– 28 September 2010
Grațiela Denisa Iordache*	Grațiela Denisa Iordache*	Grațiela Denisa Iordache*	Grațiela Denisa Iordache*	Grațiela Denisa Iordache*	Ene Dinga*
Corin Ioan Trandafir	Corin Ioan Trandafir	Corin Ioan Trandafir	Corin Ioan Trandafir	Corin Ioan Trandafir	Corin Ioan Trandafir
Ene Dinga	Ene Dinga	Ene Dinga	Ene Dinga	Ene Dinga	Crinuta Nicoleta Dumitran
Ancuța Gianina Opre	Crinuta Nicoleta Dumitran	Crinuta Nicoleta Dumitran	Crinuta Nicoleta Dumitran	Crinuta Nicoleta Dumitran	Mădălina Gheorghe
Eduard Romulus Goean	Eduard Romulus Goean	Gheorghe Pogea	[Vacant as a result of Mr. Gheorghe Pogea resignation]	Mădălina Gheorghe	[Vacant as a result of Mrs. Grațiela Denisa Iordache' resignation]
Mircea Ursache	Gheorghe Pogea	[Vacant as a result of Mr. Eduard Romulus Goean resignation]	[Vacant]	[Vacant]	[Vacant]
Ioan Adam	[Vacant because Mr. Lucian Croitoru did not accept the mandate]	[Vacant]	[Vacant]	[Vacant]	[Vacant]

\* indicates the Chairman of the Supervisory Board in that period. All other persons listed in the table are members.

Mr. Gheorghe Pogea resigned with effect from 14 May 2010. Mrs. Grațiela Denisa Iordache resigned with effect from 14 July 2010. Mr. Eduard Goean resigned with effect from 7 May 2010. Mrs. Madalina Gheorghe was appointed as an interim member, with effect from 11 June 2010.

**Mrs. Grațiela Denisa Iordache** has experience as state secretary in the Ministry of Public Finance, as a member of the Chamber of Deputies and Associate Teacher of Corporate Management at the Bucharest Academy of Economic Studies. Mrs. Grațiela Denisa Iordache was a state secretary in the Ministry of Public Finance when she was appointed as a member of Supervisory Board of the Fund and the Ministry of Public Finance held more than 50% of the Fund's share capital. On 31 December 2010 Mrs. Grațiela Denisa Iordache did not have any participation in the share capital of the Fund. Mrs. Grațiela Denisa Iordache was the Chairman of the Supervisory Board from 1 January 2010–14 July 2010.

**Mr. Ene Dinga** has experience as the Romanian Minister of European Integration, Deputy Director of the Romanian Banking Institute and as a professor in theoretical economy. Mr. Dinga was the Chairman of the Supervisory Board from 15 July to 28 September, 2010. Mr. Ene Dinga did not have any agreement, understanding or family relationship with the shareholders responsible for appointing him to the position of member of the Supervisory Board. On 31 December 2010 Mrs. Dinga held no shares issued by the Fund. Mr. Ene Dinga was Member of the Supervisory Board from January 2010–14 July, 2010 and the Chairman of the Supervisory Board from 15 July–28 September, 2010.

**Mr. Corin Ioan Trandafir** was a member of the Supervisory Board between 1 January 2010 and 28 September 2010. He joined the Board of Nominees starting with 29 September 2010. Mr. Trandafir is an attorney at law, registered with the Bucharest Bar, with over 17 years' expertise in commercial law, international arbitration, privatisation, competition and intellectual property law. Mr. Trandafir is a coordinating partner with the law firm Rubin, Meyer, Doru & Trandafir/Herzfeld & Rubin. He is the co-author of numerous articles in prestigious Romanian publications, focusing mainly on writings with respect to the Fund and abusive confiscation of private property during the Communist regime.

Mr. Trandafir did not have any agreement, understanding or family relationship with the shareholders responsible for appointing him to the position of member of the Supervisory Board. On 31 December 2010, Mr. Trandafir held no shares issued by the Fund. Mr. Trandafir has concluded agreements with a number of the Fund's shareholders which own in aggregate more than 5% of the Fund's share capital. Pursuant to these agreements Mr. Trandafir represents their interests in Romania, including those related to their shareholding in the Fund. Under these agreements Mr. Trandafir has the right to acquire shares or their cash equivalent by way of remuneration for his services.

**Mrs. Ancuta Geanina Opre** has experience as the Chairman of National Authority for Properties Restitution and as lecturer at "Dimitrie Cantemir" University, "Athenaeum" University of Bucharest, "Constantin Brancusi" University, Tg Jiu and "Jiul de Sus" University, Tj. Jiu.

Mrs. Opre did not have any agreement, understanding or family relationship with the shareholders responsible for appointing her to the position of member of the Supervisory Board. On 31 December 2010 Mrs. Opre held no shares issued by the Fund.

**Mr. Eduard Romulus Goean** has experience as a consul and as a public servant in the Ministry of Public Finance. Mr. Goean did not have any agreement, understanding or family relationship with the shareholders responsible for appointing him to the position of member of the Supervisory Board. On 31 December 2010 Mr. Goean held no shares issued by the Fund.

**Mr. Mircea Ursache** has experience as General Director at SC World Trade Center Bucuresti SA, as the President of AVAS and as the President of Bancorex Bank. Mr. Ursache did not have any agreement, understanding or family relationship with the shareholders responsible for appointing him to the position of member of the Supervisory Board. On 31 December 2010 Mr. Ursache held no shares issued by the Fund.

**Mr. Ioan Adam** is a specialist in Civil and Commercial Law. He has experience as a lawyer, a professor at University of Transilvania Brasov, Faculty of Law of European Dragan Foundation and as a judge at Brasov Court and Brasov Court of Appeal. Mr. Adam did not have any agreement, understanding or family relationship with the shareholders responsible for appointing of him to the position of member of the Supervisory Board. On 31 December 2010 Mr. Adam held no shares issued by the Fund.

**Mr. Lucian Croitoru** was appointed as a member of the Supervisory Board by shareholders in February 2010, but he did not accept the mandate.

**Mr. Gheorghe Pogea** has experience as the Romanian Minister of Finance, as a politician and as the Romanian Deputy Prime Minister. Mr. Pogea did not have any agreement, understanding or family relationship with the shareholders responsible for appointing him to the position of member of the Supervisory Board. On 31 December 2010 Mr. Pogea held no shares issued by the Fund.

**Mrs. Crinuta Nicoleta Dumitran** has experience as the President of the National Authority for Restitution of Property, as Deputy Director of the National Administrative Institute, and as Deputy Director and a counselor at the European Parliament. Mrs. Dumitran did not have any agreement, understanding or family relationship with the shareholders responsible for appointing her to the position of member of the Supervisory Board. On 31 December 2010 Mrs. Dumitran held no shares issued by the Fund.

**Mrs. Madalina Gheorghe** was appointed as an interim member of the Supervisory Board. Mrs Gheorghe has extensive experience as a legal counsel in the Ministry of Public Finance. Mrs. Gheorghe did not have any agreement, understanding or family relationship with the shareholders responsible for appointing her in the position of member of the Supervisory Board. On 31 December 2010 Mrs. Gheorghe held no shares issued by the Fund.

### Executive Board of the Fund before 29 September 2010

From 23 December 2009 until 28 September 2010, the Executive Board of the Fund was formed of 3 members, out of which one has the capacity of chairman, as follows:

- Ionel Popescu – Chairman of the Executive Board, General Manager,
- Valeria Nistor – Member of the Executive Board, Legal Department Manager,
- Cristian Bușu – Member of the Executive Board, Economic Manager.

**Mr. Ionel Popescu** has a degree in economic studies and has served as Minister of Public Finance between December 2004 and August 2005. During his term as Minister, he initiated and implemented Romania's fiscal reform adopted at the end of 2004. He is known as a financial journalist. Furthermore, Mr. Popescu is the one who initiated the law package regarding the restitution of the properties which led to the set up of the Fund. Mr. Popescu was a Senator between 2004 and 2005 and supported various legislative projects. Mr. Popescu did not have any agreement, understanding or family relationship with the shareholders responsible for appointing him to the position of member of the Executive Board. As of 31 December 2010, Mr. Popescu held 19,832,186 shares in the Fund.

**Mr. Cristian Bușu** has experience in public administration as well as in financial investments. In the period 2005–2009 he acted as economic advisor to the Prime Minister of Romania. Prior to that he worked as a broker at Prudential Financial (New York). He earned a masters degree in business administration at Hofstra University (New York). Prior to his appointment as a member in the Board of Nominees, Mr. Busu acted as the Fund's Chief Financial Officer. Currently, Mr. Busu is manager of Marfin Bank S.A. (Romania), Bucharest Branch and is a lecturer at Bucharest Academy of Economical Studies. Mr. Busu did not have any agreement, understanding or family relationship with the shareholders responsible for appointing him to the position of member of the Executive Board. As of 31 December 2010, Mr. Busu held 1,350,000 shares in the Fund.

**Miss Valeria Nistor** has a degree in legal studies, a degree in post-graduate studies in the field of companies' organization, investments and capital market management and a masters degree in organization management. Miss Nistor is a lecturer in the field of jurisprudence regarding the law around and the recovery of commercial and fiscal receivables. Miss Nistor published several articles and participated in conferences on subjects such as receivables recovery and insolvency. Miss Nistor worked for more than 11 years in the Ministry of Public Finance, where she occupied the positions of legal advisor, legislation program coordinator, deputy general manager and general manager of the General Legal Department of the National Agency of Fiscal Administration (institution within the Ministry of Public Finance). Miss Nistor did not have any agreement, understanding or family relationship with the shareholders responsible for appointing her to the position of member of the Executive Board. On 31 December 2010, Miss Nistor held no shares issued by the Fund.

### Composition of the Board of Nominees

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

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

Two members of the Board of Nominees are independent, in the sense that they do not maintain, nor have recently maintained, directly or indirectly, any business relationships with the Fund or persons linked to the Fund, or shareholders of the Fund, of such significance as to potentially influence their autonomous judgment.

The Board of Nominees ensures that consultative committees (Remuneration and Nominalization Committee and Audit Committee) are constituted to examine specific topics chosen by the Board and to report to the Board on the same. At least one independent Board of Nominee member sits on each such committee.

The mandate of each member of the Board of Nominees imposes the same kind of restrictions around confidentiality of the Fund's information and the same kind of reporting and consent requirements on the individual's ability to personally trade in the Fund's shares as are in place for the Sole Administrator's staff.

### **Members of the Fund's Board of Nominees from 29 September 2010**

The Board of Nominees is a body created in accordance with the Constitutive Act and with article 224 paragraph (4) of CNVM Regulation 15. Conceptually, the Board does not have an equivalent corresponding corporate body regulated by the Companies' Law. This structure was proposed by the Romanian Government in 2008 when the Government Decision no. 1514/2008 was enacted.

The Board of Nominees currently consists of the following members appointed by Ordinary General Meeting of Shareholders resolution dated 6 September 2010 for a mandate of 3 years which commenced on 29 September 2010.

The members of Body of Nominees are:

- Mrs. Bogdan-Alexandru Drăgoi, President of the Board of Nominees,
- Mrs. Monica George-Maurer, Member,
- Mr. Cristian Busu, Member,
- Mr. Sorin Mandrutescu, Member,
- Mr. Corin-Ioan Trandafir, Member.

**Mr. Bogdan Alexandru Drăgoi** is the Chairman of the Board of Nominees. He is 31 years old, speaks English, French and Italian and has experience in project management and acquisition finance, serving as business analyst to Inquam Ltd. (UK). During 2007–2008, Mr. Drăgoi has acted as General Director at Bucharest City Hall, after holding the office of Secretary of State in the Ministry of Public Finance in 2006–2007. Mr. Drăgoi has graduated from Tufts University (Boston) in International Relations and Economics. Mr. Drăgoi is a state secretary in Ministry of Public Finance and he was a state secretary in Ministry of Public Finance when he was appointed as a member of the Board of Nominees. On 31 December 2010 Mr. Drăgoi held no shares issued by the Fund.

**Mr. Cristian Bușu** was a member of the Executive Board before being appointed as member of the Board of Nominees. For further details see the previous section.

**Mrs. Monica George-Maurer** has acted as personal advisor to the Minister of Economy, Trade and Business Affairs, coordinating investment projects for the acquisition of financial services for state-owned companies active in energy sector. She is a member of the Investment Board of the Jeremie Fund, part of the European Investment Fund. Mrs. George-Maurer holds a bachelors degree in biomedical engineering from John Hopkins University and a masters degree from Brown University. Mrs. Maurer did not have any agreement, understanding or family relationship with the shareholders responsible for appointing her to the position of member of the Board of Nominees. On 31 December 2010 Mrs. Maurer held no shares issued by the Fund.

**Mr. Sorin Mindruțescu** is 42 years old and he speaks English and French. Sorin Mindruțescu has an extensive experience in various types of corporate financing and banking industry. During 1994–2001 he has held various positions (including management) in a number of large Romanian credit institutions: Bancorex, Bank Austria Creditanstalt or Banca Turco Romana. Currently Mr. Mindrutescu is a managing director with Oracle Romania. Mr. Mândruțescu has earned an executive master in business administration at University of Edinburgh Management School and ENCP School of International Management (Paris). Mr. Mindrutescu did not have any agreement, understanding or family relationship with the shareholders responsible for appointing him to the position of member of the Board of Nominees. On 31 December 2010 Mr. Mindrutescu held no shares issued by the Fund.

**Mr. Corin Ioan Trandafir** was a member of the Supervisory Board before being a member of the Board of Nominees. For further details see the previous section.

None of the persons presented above is or has been involved in the last 5 years with any litigations or administrative procedures relating to their activity in the Fund or any other matters concerning the ability of that person to fulfil their tasks on behalf of the Fund.

### **The Role and Duties of the Sole Administrator and Fund Manager**

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

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

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

### **Appointment of Sole Administrator and Fund Manager**

The appointment of the Sole Administrator and Fund Manager was a formal, rigorous and transparent procedure (international tender for selection of Sole Administrator and Fund Manager of the Fund). The documentation for the international tender for selection of the Sole Administrator and Fund Manager was approved by Government Decision no. 1514 from 2008 and based on objective criteria for selection.

### **The Sole Administrator of the Fund from 29 September 2010**

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

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

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

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

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



Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch did not have any agreement, understanding or family relationship with the shareholders responsible for appointing it to the position of Sole Administrator. On 31 December 2010 Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch held no shares issued by the Fund.

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

**Grzegorz Konieczny**, executive vice president/portfolio manager, joined the Franklin Templeton organization in 1995 and has over 15 years of experience in investment and portfolio management. He has research and portfolio management responsibilities in Central and Eastern Europe. Prior to joining Templeton, Mr. Konieczny was director of Capital Market Transactions at Bank Gdanski SA, one of the largest financial institutions in Poland at the time. Mr. Konieczny earned a master's degree in economics and foreign trade from the University of Gdansk (Poland). In 1994, he obtained an investment advisor license from the Polish Securities and Exchange Commission. As of 31 December 2010, Mr. Konieczny held no shares issued by the Fund.

**Adrian Cighi** has experience in investment management and portfolio analysis. Mr. Cighi has earned a bachelor's degree in Finance from the American International University in London and a master's degree in Accounting and Finance at London School of Economics and Political Science. He was employed as an analyst by major international investment banking and securities firms, such as Goldman Sachs (London) and Lehman Brothers (London). Locally, Mr. Cighi has acted as an investment analyst and management counsellor to Rematinvest (Cluj) and BT Asset Management (Cluj). As of 31 December 2010, Mr. Cighi held no shares issued by the Fund.

#### **The Remuneration of Sole Administrator and Fund Manager**

Prior to listing of the Fund:

The notional amount is the average of the monthly Net Asset Value of the Fund, calculated based on the regulations in force within the quarter for which the payment is made:

- a) the quarterly remuneration for the management of the portfolio of the Fund is 0.379% applied to the notional amount described above, multiplied by the number of calendar days in the quarter, divided by 365;
- b) the quarterly remuneration for the administration of the Fund is 0.1% applied to the notional amount described above, multiplied by the number of calendar days in the quarter, divided by 365.

After listing of the Fund:

The notional amount is the market value of the Fund which is defined as the market capitalisation of the Fund (the number of shares issued multiplied by the average market price of the Fund shares over the last 90 days of trading of the respective calendar year or over the number of the trading days left until the end of the year, in case there are less than 90 days of trading left from the listing until the end of the year):

- a) the annual remuneration for the management of the portfolio of the Fund: 0.379% applied to the notional amount defined above;
- b) the annual remuneration for the administration of the Fund: 0.1% applied to the notional amount defined above.

Franklin Templeton Investment Management Ltd. UK – Bucharest Branch, as Sole Administrator and Fund Manager will be remunerated for its services in accordance with the long-term interests of the shareholders of the Fund.

## Internal Control and Risk Management

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

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

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

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

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

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

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

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

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

Post trade compliance checks are automatically run overnight for all portfolios against the investment restrictions included within our trade management system. Any exceptions are investigated and cleared by GIAC. Investment restrictions that cannot be automated are reviewed periodically.

All active and passive breaches are reported to the relevant investment managers and operating departments. Corrective action is taken as necessary to address and resolve any issues. Trading errors are monitored by the Global Compliance department.

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

**Conflicts of Interests and Related Parties Transactions**

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

**Treatment of Corporate Information**

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



## Financial Statements Analysis

The financial statements for the year ended 31 December 2010 prepared in compliance with Romanian Accounting Standards are included in full in Appendix 1 to this Report. These financial statements have been prepared in accordance with the National Securities Commission (“CNVM”) Order 75/2005 as amended through CNVM Order 11/2009. The financial statements are accompanied by the unqualified opinion of the independent auditor, Deloitte Audit SRL. This Financial Statement Analysis section provides a commentary on the principal elements of the Fund’s statutory financial statements.

### Balance Sheet

	31 December 2008 RON	31 December 2009 RON	31 December 2010 RON
Intangible assets	2,606	10,275	—
Tangible assets	763,583	495,801	—
Financial assets	9,410,686,783	9,552,138,410	10,890,522,931
<b>Non-current assets – Total</b>	<b>9,411,452,972</b>	<b>9,552,644,486</b>	<b>10,890,522,931</b>
<b>Current assets – Total</b>	<b>1,539,638,520</b>	<b>2,666,765,775</b>	<b>1,332,432,934</b>
Prepaid expenses	1,035,143	56,883	31,004
Payables within one year	9,179,453	7,377,636	69,287,395
<b>Total assets less current liabilities</b>	<b>10,942,947,182</b>	<b>12,212,089,508</b>	<b>12,153,699,474</b>
Provisions	16,085,232	15,062,518	14,424,098
<b>Shareholders’ equity</b>	<b>10,926,861,950</b>	<b>12,197,026,990</b>	<b>12,139,275,376</b>

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

Financial assets included the Fund’s listed and unlisted equity investments. According to Romanian Accounting Standards, 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 quoted market closing price (if cost is higher than the market closing price). For unlisted or illiquid listed equity investments, the impairment test compares the cost to the investment’s equity value per its latest financial statements, and any adverse result is booked as impairment. Impairment adjustments were recorded through the profit and loss account in 2006 and 2007, but have been accounted for through a separate impairment reserve within shareholders’ equity since 2008. The value of financial assets increased by RON 1,338.4 million in 2010, and this was mainly due to the reversal of impairment adjustments for equity investments recorded in the previous year (mainly for OMV Petrom and Hidroelectrica).

The significant fall in the value of current assets during 2010 by RON 1,334.3 million was mainly accounted for by the gross RON 1,124.3 million dividend payment to shareholders which commenced in October 2010. Cash balances were higher as at 31 December 2009 as compared to 2008 for a variety of reasons, including the receipt of proceeds from financial asset sales and also because no dividends were paid out in that year. This had a positive impact on the total current assets balance in 2009.

The payables increased by RON 61.9 million during 2010. This rise was accounted for by the dividend payable to Fund’s shareholders uncollected until year end, and also because of new liabilities arising in the Fund for the first time in 2010, following its registration with CNVM in August and the commencement of the Fund Manager’s contract in September. This caption also includes tax liabilities, and RON 9.7 million of liabilities relating to contributions received from the significant shareholder of the Fund, the Ministry of Public Finance, which have not yet been converted into share capital.

## Income Statement

	Financial year ended		
	31 December 2008 RON	31 December 2009 RON	31 December 2010 RON
<b>Revenues from current activity, out of which:</b>	<b>524,086,340</b>	<b>1,320,362,566</b>	<b>576,629,495</b>
Revenues from financial assets	384,750,573	118,165,267	179,049,051
Interest income	84,453,833	142,469,834	131,466,209
Reversal of impairment adjustments & provisions	11,475,624	31,566,178	217,362,939
Revenues from disposal of financial assets	—	980,237,872	—
Revenues from foreign exchange differences	43,355,391	47,727,476	47,734,665
Other income from current activity	50,919	195,939	1,016,631
<b>Expenses from current activity, out of which:</b>	<b>43,088,135</b>	<b>486,170,050</b>	<b>109,242,071</b>
Expenses from disposal of financial assets	—	428,742,731	—
Expenses from foreign exchange differences	23,823,898	32,995,783	56,899,816
Other expenses from current activity*	19,264,237	24,431,536	52,342,255
<b>Gross profit</b>	<b>480,998,205</b>	<b>834,192,516</b>	<b>467,387,424</b>
Income tax expense	13,296,780	104,054,192	11,203,603
<b>Net profit</b>	<b>467,701,425</b>	<b>730,138,324</b>	<b>456,183,821</b>

\* Other expenses from current activity includes commissions and fees, bank services expenses, depreciation, amortisation and provisions, interest expense, 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. This income increased in 2010 compared with the previous year by RON 60.9 million due to higher level of dividend distributions paid by portfolio companies, although levels have not yet returned to 2008 values.

Interest income arises from deposits held with banks and from treasury bills. The slightly lower level of income in 2010 is a reflection of the level of deposits and treasury bills during 2010, with the payment of the dividend to shareholders starting in October 2010 having an adverse impact.

The large positive variance of the reversal of impairment adjustments in 2010 is mostly accounted for by the 2010 reversal of an impairment adjustment for RON 216.6 million in respect of equity investment in Hidroelectrica, which was originally booked in 2006 and 2007 through profit and loss account.

Revenues from disposal of financial assets (RON 980.2 million in 2009) represent the proceeds from the sales of portfolio company holdings, while the expenses from disposal of financial assets (RON 428.7 million) represent the cost or carrying value that these investments were held at prior to disposal. The pre-tax net gain in 2009 was RON 551.5 million, while there were no such sales in 2010 or 2008.

Other income from current activity includes principally penalties levied by the Fund for late payment of dividends, litigation expenses recovered, and income on disposal of tangible assets.

Other expenses from current activity increased in 2010 by RON 27.9 million mainly due to new contracts becoming effective. These expenses include the fees payable following the August registration of the Fund with CNVM, and the commencement of the Bancpost depositary contract in the same month. The Fund Manager's contract became effective in late September. Other expenses also include salary costs of the Fund's employees, which principally relate to the period prior to the Fund Manager's contract's effective date.

## Statement of Cash Flows

	Financial year ended		
	31 December 2008 RON	31 December 2009 RON	31 December 2010 RON
<b>Cash flows from operating activities</b>			
Payments to suppliers and similar payments	(8,770,999)	(11,096,398)	(8,104,099)
Payments to employees and similar payments	(6,426,525)	(11,534,189)	(6,324,341)
Payments of other taxes and commissions	—	—	(12,925,345)
Other receipts, net of other payments	32,346	179,939	146,722
Interests paid	(1,189)	(2)	(214)
Income tax paid	(12,991,496)	(104,971,445)	(15,379,807)
<b>Net cash used in operating activities</b>	<b>(28,157,863)</b>	<b>(127,422,095)</b>	<b>(42,587,084)</b>
<b>Cash flow from investments</b>			
Dividends received	395,898,837	118,644,463	174,979,796
Interests received	71,256,895	139,629,788	141,245,712
Payments for the purchase of tangible and intangible assets	(392,081)	(23,563)	(22,427)
Proceeds from the sales of tangible assets	18,573	16,000	94,727
Payments for acquisitions of financial assets	—	—	(47,335,500)
Proceeds from the sales of financial assets	—	980,237,872	—
Other receipts	—	—	38,488
Net proceeds from/(payments for) treasury bonds	(390,456,918)	390,456,918	(246,272,509)
Net collection/(payments for) deposits with maturity of more than 3 months	—	(1,308,649,962)	930,163,463
Payments for increases in the share capital of the investments	(49,845,442)	—	—
<b>Net cash from investment activities</b>	<b>26,479,864</b>	<b>320,311,516</b>	<b>952,891,750</b>
<b>Cash flow from financing activities</b>			
Receipts from shareholders for share capital increase	50,065,688	63,846,176	42,962,232
Payment of the lease related liabilities	(24,465)	—	—
Dividends paid	(87,912,831)	(1,056,789)	(1,093,273,371)
<b>Net cash flow from/(used in) financing activities</b>	<b>(37,871,608)</b>	<b>62,789,387</b>	<b>(1,050,311,139)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(39,549,607)</b>	<b>255,678,808</b>	<b>(140,006,473)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>592,174,579</b>	<b>572,156,465</b>	<b>842,566,966</b>
Foreign exchange differences on cash and cash equivalents	19,531,493	14,731,693	(9,073,601)
<b>Cash and cash equivalents at the end of the year</b>	<b>572,156,465</b>	<b>842,566,966</b>	<b>693,486,892</b>

The payments of other taxes and commissions recorded in 2010 mainly refer to the commission fees paid to CNVM (RON 3.6 million) following the Fund's registration in August 2010, and also to the stamp duties paid in relation with B.C.R. S.A. litigation suit (RON 5.1 million).

The acquisition of financial assets relates entirely to the purchase of 3,925,000 shares in BRD – Groupe Societe Generale S.A. in 2010.

In 2010 the Fund declared and began to distribute from October a gross dividend of RON 1,124.3 million or RON 0.0816 per share. This dividend represented the distributable profits of both 2008 and 2009. Shareholders also continued to collect dividends declared in 2007 and 2008 during 2010. By the end of 2010, shareholders had collected over 98% of total dividends distributed by the Fund.

### Related Party Transactions

Transactions with related parties have all been performed in the normal course of business of the Fund.

This category of transactions therefore included the dividends income and dividend receivables, as well as other income and other receivables (related to penalties for late payment of dividends for year 2005 and recharge of related litigation expenses), received/to be received by the Fund from the companies in which the Fund and/or the Fund together with the Romanian State by various institutions involved hold more than 25% of the voting rights.

### Dividend income

The following tables show the breakdown of dividend and other income and receivables from related parties.

Company	2008 RON	2009 RON	2010 RON
Romgaz S.A.	34,817,198	40,912,918	87,829,620
E.ON Gaz Romania S.A. **	—	—	24,651,074
Transgaz S.A.	15,341,606	18,475,571	22,975,350
E.ON Gaz Distributie S.A.	—	—	11,416,966
Hidroelectrica S.A.	—	—	6,501,711
Aeroportul International Henri Coanda Bucuresti S.A.*	8,438,384	10,127,189	5,869,425
Conpet S.A.	2,106,113	7,116,275	3,810,281
Primcom S.A.	1,154,234	1,524,281	1,731,351
Aeroportul International Bucuresti Baneasa – Aurel Vlaicu S.A.*	—	—	714,645
Transelectrica S.A.	3,206,049	2,968,564	494,761
Complexul Energetic Turceni S.A.	8,166,104	2,331,100	—
Electrica Furnizare Transilvania Sud S.A.	—	895,721	—
Aeroportul International Timisoara – Traian Vuia S.A.	253,777	474,502	353,329
Complexul Energetic Craiova S.A.	971,324	464,389	114,721
CN Administratia Porturilor Dunarii Fluviale S.A.	518,120	463,384	368,363
Societatea Nationala a Sarii S.A.	118,797	269,771	—
CN Administratia Canalelor Navigabile S.A.	209,374	216,938	244,827
Complexul Energetic Rovinari S.A.	8,193,088	3,752	124,947
Carom – Broker Asigurare S.A.	261,499	183,070	27,636
Oil Terminal S.A.	419,350	54,147	37,391
CN Administratia Porturilor Dunarii Maritime S.A.	—	1,360	18,210
IOR S.A.	25,194	1,344	186,000

Company	2008 RON	2009 RON	2010 RON
GDF Suez Energy S.A. (former Distrigaz Sud S.A.)	20,483,445	14,496,020	—
Electrica Furnizare Transilvania Nord S.A.	—	62,375	—
Alcom S.A.	—	12,237	—
CN Posta Romana S.A.	3,564,118	4,099	—
Complexul Energetic Rovinari S.A. (dividends 2005)	—	—	567,525
OMV Petrom S.A.	195,813,528	—	—
ENEL Distributie Banat S.A.	26,524,765	—	—
ENEL Distributie Dobrogea S.A.	11,897,663	—	—
Imprimeria Nationala S.A.	1,655,269	—	—
Administratia Porturilor Maritime S.A.	1,303,905	—	—
Delfincom S.A.	631,759	—	—
<b>TOTAL</b>	<b>346,074,663</b>	<b>101,059,007</b>	<b>167,852,319</b>

#### Other income

Company	2008 RON	2009 RON	2010 RON
Aeroportul International Henri Coanda Bucuresti S.A.*	—	—	274,949
Complexul Energetic Rovinari S.A.	—	—	102,670
Transelectrica S.A.	—	—	433,512
<b>TOTAL</b>	<b>—</b>	<b>—</b>	<b>811,131</b>

#### Dividend receivables, net of provisions

Company	31 December 2008 RON	31 December 2009 RON	31 December 2010 RON
Hidroelectrica S.A.	—	—	3,501,711
Complexul Energetic Rovinari S.A. (dividends 2005)	—	—	567,525
<b>TOTAL</b>	<b>—</b>	<b>—</b>	<b>4,069,236</b>

#### Other receivables

Company	31 December 2008 RON	31 December 2009 RON	31 December 2010 RON
Aeroportul International Henri Coanda Bucuresti S.A.*	—	—	274,949
Complexul Energetic Rovinari S.A.	—	—	102,670
Transelectrica S.A.	—	—	433,512
<b>TOTAL</b>	<b>—</b>	<b>—</b>	<b>811,131</b>

\* During 2010 Aeroportul International Henri Coanda Bucuresti S.A. and Aeroportul International Bucuresti Baneasa – Aurel Vlaicu S.A. merged with a view to incorporate Aeroporturi Bucuresti S.A.

\*\* During 2010, E.ON Gaz Romania S.A. took over E.ON Moldova Furnizare S.A. forming E.ON Energie Romania S.A.

Related party transactions also include those involving Franklin Templeton Investment Management UK, Bucharest Branch as Sole Administrator and Fund Manager with effect from 29 September 2010. During 2010, the expenses payable to the Fund Manager included: investment management and administration fees of RON 18,305,781; sub-lease rent expense of RON 23,953 and other operating costs of RON 5,014 (2009: Nil).

As at 31 December 2010, the outstanding liability to the Fund Manager for the above mentioned services was RON 17,963,827 (31 December 2009: Nil).

## Other Significant Events in the Activity of the Fund

### Status of Ongoing Litigations

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

(a) Fund as claimant:

- disputes against certain Portfolio Companies relating to the Fund's ownership right over shares issued by such companies and allocated to the Fund by law;
- disputes against the Romanian public authorities/institutions for recovery of certain securities/receivables attributed to the Fund by law;
- disputes against certain Portfolio Companies challenging certain corporate operations approved by such companies/requesting annulment of the shareholders' decision thereof;
- disputes against the Portfolio Companies related to payment of dividends/default interest on unpaid dividends;

(b) Fund as defendant:

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

Certain litigations presented above do not have any impact on the Fund (e.g. for complaints lodged by certain natural persons for the recovery of real estate assets which have been abusively confiscated during the Communist regime, the Fund successfully raises the defense of lack of court capacity, as the compensation procedure is not the Fund's responsibility). Nevertheless, certain litigations where the Fund is the claimant, involving portfolio companies or Romanian public authorities/institution may have significant effects on the Fund's financial position or profitability. The litigations where the Fund is the defendant are not expected to affect significantly Fund's financial position or profitability. Nevertheless, certain litigations involving Portfolio Companies or Romanian public authorities/institution or the litigations concerning the annulment/nullity of the Ordinary General Meetings or Extraordinary General Meetings decisions may have significant effects on the Fund's financial position or profitability.

As at 31 December 2010 the Fund was involved in certain litigations, the most important being the following:

As at 31 December 2010 the Fund was involved in certain litigations and transactions claiming recovery of assets where the Fund's rights that have not been recognised in the financial statements due to uncertainties regarding such assets:

1. The Fund is involved in several litigations regarding delay penalties requested from companies which have not 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 the year 2010, 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 will be recognized as revenues when their collectability becomes highly probable.

2. The amounts to be received from the privatization of BCR S.A. to a strategic investor:
  - In December 2006, the Fund received a cash contribution of EUR 88,394,758 (RON 301,788,543) representing 4% of the amount paid by Erste Bank Austria to the Romanian State in respect of the privatisation of Banca Comerciala Romana S.A. ("BCR S.A."). In accordance with the statement of the legislative text, the Fund was entitled to receive as a cash contribution "the amounts received from the sale to the strategic investor of 4% of BCR S.A.'s shares". The Fund interpreted this provision of "4% of the share capital of BCR S.A.", to represent EUR 242,495,438 (RON 1,025,319,211 equivalent; i.e. 4% of BCR's total share capital to which the price paid by Erste Bank Oesterreichischen Sparkassen AG of 7.65 Euro/share is applied)
  - In order to recover the respective amount, on 1 October 2008, the Fund has filed a court action to the Bucharest Court having as defendants the Ministry of Public Finance and AVAS. The Bucharest Court rejected the above claim, the litigation being closed unfavourably for the Fund.
3. The Fund shall receive the following amounts from the Romanian State:
  - a) 3% of the amounts collected by the institutions involved in the privatization of Romtelecom S.A. until the entire participation is sold;
  - 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 majority shareholder once they are collected.
4. The amounts resulting from collection of receivables from foreign trade and economic cooperation carried out by the Romania State before 31 December 1989 and amounts resulting from ownership recovery resulting from commercial and governmental payment agreements and the related technical banking arrangements, after a deduction of 3% have been used to cover first the subscribed and not paid-in share capital by the majority shareholder.
  - In October 2010, the Romanian Government decided to redirect these amounts of money to the State budget and the Fund will no longer benefit from those receivables.
5. 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. 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 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. In accordance with G.E.O. no. 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 not recognised as an asset at 31 December 2010 and 31 December 2009.
  - At the date these financial statements were approved, the recoverability of these receivables was not certain.
6. As at 31 December 2010 the Fund is in dispute with Romarm S.A. which did not transfer certain stakes in Uzina Mecanica Bucuresti S.A. and Electromecanica SA Ploiesti (both subsidiaries of Romarm S.A.), in accordance with G.E.O. no. 81/2007. The provisions of Article 1 paragraph 2 Title II of that Ordinance state that "the transfer of ownership of assets under paragraph 1 is made as of 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 Ploiesti S.A. (point 2.23) and a total of 2,951,053 shares of Uzina Mecanica Bucuresti S.A. (point 2.24).

Electromecanica and Uzina Mecanica Bucuresti are subsidiaries of Romarm, a company owned 100% by AVAS at the effective date of the Ordinance and by the MECMA currently. Considering the fact that the text of the Ordinance mentioned that these stakes transfer 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 Registry.

At present, the Fund has two legal actions at the Bucharest Court of Appeal and at the Supreme Court of Justice regarding these litigations.

As at 31 December 2010 and 31 December 2009, the Fund recorded its entitlement to these holdings in its portfolio but also registered an impairment loss on the full value of these holdings to reflect the fact that the registration of ownership is still in dispute. The value of participations (stakes) in Uzina Mecanica Bucuresti S.A. and Electromecanica Ploiesti S.A., in the total amount of RON 41.4 million, is included in the share capital of the Fund. These financial assets (equity investments) are reflected with 0 values in both NAV and financial statements as at 31 December 2010.

#### 7. 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, following the updates of the initial stake of the Fund from 1 February 2006 to 13 November 2007. The hearings are suspended until the Constitutional Court will decide on the constitutionality of the law regarding the cancellation of the transfer of 20,077,653 shares from the Ministry’s portfolio to the Fund’s portfolio.

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 social capital was increased by an 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 2009 was made in full compliance with the provisions of Law no. 297/2006, which is derogatory from the common provisions of the Companies Law. 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.

On 10 May 2010, the Fund filed an appeal against the above decision of the Bucharest County Court in the second file. The litigation is currently in process.

On 31 December 2010 and 31 December 2009, the Fund owned 9.72% of the share capital of the Nuclearelectrica, as recorded at the Trade Registry.



8. There are some cases involving the Fund acting against the Electra and Hidroenergetica merger plans:

On 17 November 2010, the Fund lodged with the Dolj Tribunal a motion for preliminary injunction against S.C. Complexul Energetic Craiova S.A. (“CE Craiova”), requesting the court to suspend the implementation of the merger of Nuclearelectrica with S.C. Complexul Energetic Rovinari S.A., S.C. Complexul Energetic Turceni S.A., CE Craiova, Societatea Nationala a Lignitului Oltenia S.A. and S.C. Hidroserv S.A. and the deferral of the general shareholders meeting of CE Craiova convened to approve in substance the merger plan on 19 November 2010.

On 18 November 2010, the Dolj Tribunal ruled upon: (i) the suspension of the merger of the above referred companies until the merger plan is duly modified and (ii) deferral of the general shareholders meeting of CE Craiova convened for 19 November 2010.

After 19 November 2010 the Fund lodged with the Bucharest Court another motion for preliminary injunction against Hidroelectrica and Nuclearelectrica, requesting the court to suspend the implementation of the merger plan for creating Electra and Hidroenergetica. On 15 December 2010, the Bucharest Court ruled in favour of the suspension of the merger against Hidroelectrica. On 6 January 2011, the Bucharest Court ruled in favour of the suspension of the merger against Nuclearelectrica.

The merger and spin-off for creating Electra and Hidroenergetica is blocked at the present time.

9. In October 2010, Ms. Ioana Sfiraiala, as shareholder of the Fund, filed a claim against the Fund with the Bucharest County Court requesting the cancellation of certain resolutions of the Extraordinary General Shareholders Meeting dated 6 September 2010 with respect to the approval of the Constitutive Act as well as the appointment of the Fund Manager, arguing that the convening of that meeting had not been carried out in accordance with the provisions of the Companies Law. Ms. Sfiraiala stated that, considering the fact that the appointment of the Sole Administrator is conditional upon the approval of the Constitutive Act, the appointment of the Sole Administrator is also an act subject to nullity. The first hearing date for this litigation has been set for 16 November 2011.

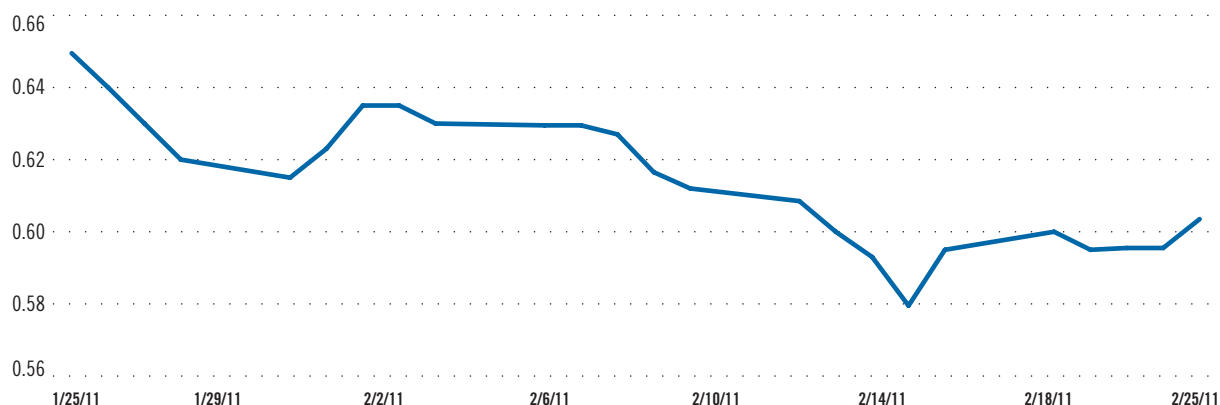
In October 2010, Ms. Ioana Sfiraiala, as shareholder of the Fund, asked for an interim injunction against the Fund with the Bucharest County Court requesting the suspension of certain resolutions of the Extraordinary General Shareholders Meeting dated 6 September 2010 with respect to the approval of the Constitutive Act as well as the appointment of the Fund Manager, arguing that the convening of that meeting had not been carried out in accordance with the provisions of the Companies Law. The Bucharest Court ruled in favour of the Fund and rejected the claim of Ms. Ioana Sfiraiala in first stage. Ms. Ioana Sfiraiala appealed the decision in first stage and the appeal will be judge by Bucharest Court of Appeal.

10. Mr. Rozor, as shareholder of the Fund, has lodged with the Bucharest Court a claim against the Fund, requesting the court to order a preliminary injunction with respect to the EGM and OGM resolutions of 6 September 2010 and to rule upon the annulment of such resolutions. The request for preliminary injunction was rejected by the Bucharest Court. In the second file the next hearing has been set for 21 March 2011.

## Significant Post Balance Sheet Events

### The Fund Listing

Beginning with 25 January 2011 the Fund is a listed company in the tier I category of the BVB, under ISIN number ROFPTAACNOR5 and the market symbol FP. As at 28 February 2011 the closing share price of the Fund's shares was RON 0.6125 per share.



Source: BVB.

### BCR Litigation

In January 2011, the Fund decided not to continue with an appeal the litigation related to amounts claimed by the Fund as receivable from the privatization of BCR S.A. In light of the fact that: (i) the Fund had lost its claim in the first instance; (ii) pursuing the appeal would involve very large court costs and also legal fees; and (iii) even if the Fund eventually won the case, no value would be added to the Fund's net assets for existing shareholders, and there was risk of significant loss in the event the case was lost; at the hearing on 12 January 2011 an application to waive the appeal was filed on behalf of the Fund.

## Approval of Annual Report

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

Prepared by

Grzegorz Maciej Konieczny  
Legal Representative

Mihaela Moleavin  
Financial Reporting Manager

24 March 2011

## Annex 1

### **S.C. FONDUL PROPRIETATEA S.A. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010**

Prepared in accordance with the National Securities Commission (CNVM) Order no. 75/2005 as amended through CNVM Order no. 11/2009.

(This is a translation from the official Romanian version)

## Contents

Independent Auditor's Report .....	44
Balance Sheet (Code 10) .....	46
Income Statement (Code 20) .....	49
Statement of Cash Flows .....	51
Statement of Changes in Shareholders' Equity .....	52
Notes to the Financial Statements .....	54
Informative Data (Code 30) .....	87
Statement of Non-Current Assets (Code 40) .....	92

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

## Independent Auditor's Report

### Report on the Financial Statements

1. We have audited the accompanying standalone financial statements of S.C. Fondul Proprietatea S.A. ("the Company"), which comprise the balance sheet as at 31 December 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, presenting the following:
  - Net assets/Total equity and reserves: RON 12,139,275 thousand
  - Profit/loss for the year: RON 456,184 thousand, profit

### Management's Responsibility for the Financial Statements

2. Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Law no. 82/1991, as revised, and Order of the National Commission of Securities no.75/2005 with the subsequent amendments and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

### Opinion

6. In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the financial position of S.C. Fondul Proprietatea S.A. as of December 31, 2010, and its financial performance and its cash flows for the year then ended, in accordance with the requirements of the Romanian Accounting Standards, which comprise Accounting Law no. 82/1991, as revised, and Order of the National Commission of Securities no. 75/2005 with the subsequent amendments and as described in the accounting policies presented in the notes to the financial statements.

### Emphasis of Matter

7. Without qualifying our opinion, we draw attention to Note 6 to the separate financial statements which states that consolidated financial statements of Fondul Proprietatea prepared in accordance with International Financial Reporting Standards, as adopted by EU have not yet been published.

Note 6 to the separate financial statements explain when consolidated financial statements will be published and the method of accounting and other disclosures related to unconsolidated subsidiaries respectively.

8. Without qualifying our opinion, we draw attention to the fact that during 2010 a number of major economies around the world have experienced strong volatility in the capital markets and severe restrictions in the credit markets. As a consequence of the recent market turmoil in capital and credit markets both globally and in Romania, notwithstanding any potential economic stabilization measures that may be put into place by the State, economic uncertainties arose surrounding the continual availability and cost of credit for the Company's counterparties, future development of the markets and demand for goods and services they produce. The potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets of the Company may be not recovered at their carrying amount in the ordinary course of business, and a corresponding impact on the Company's profitability cannot be estimated reliably as of the date of this report. As of December 31, 2010 the Company has determined the impairment of financial assets for the unquoted companies based on participations held in the equity of these companies, shown in the latest available financial statements, which in most cases date back to 30 June 2010, the value of this impairment may differ had the financial statements as at 31 December 2010 been readily available.

#### Other Matters

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

#### Report on Conformity of the Administrators' Report with the Financial Statements

In accordance with the Order of the National Commission of Securities no. 75/2005, Section 9, article 9.1, point 2, we have read the Administrators' Report. The said report is not part of the financial statements. In the Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements.

Ahmed Hassan, Audit Partner

*For signature please refer  
to the original Romanian version*

Registered with the Chamber of Financial Auditors in Romania  
Under the certificate 1529/25.11.2003

On behalf of:  
**DELOITTE AUDIT SRL**

Registered with the Chamber of Financial Auditors in Romania  
under the certificate # 25/25.06.2001

Bucharest, Romania  
24 March 2011



**S.C. FONDUL PROPRIETATEA S.A.**  
**BALANCE SHEET**  
**AS OF 31 DECEMBER 2010**  
**FORM CODE 10**

The format of the Financial Statements as at 31 December 2010 for the entities authorised, regulated and monitored by the national securities commission (CNVM), for the closed-end funds (AOPC) set up under articles of association

Type of financial statement: SI

County: Bucharest

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

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

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

Trade Register no.: J40/21901/2005

Ownership type: 26

Main activity

(CAEN group): 643

CAEN class: 6430

Sole Registration Code: 18253260

A	Row	Note	Balance	
			31 December 2009	31 December 2010
B	1	2		
<b>A. NON-CURRENT ASSETS</b>				
<b>I. INTANGIBLE ASSETS</b>				
3. Concessions, patents, licenses, trademarks, rights and similar assets and other intangible assets (acc. 205 + 208 - 2805 - 2808 - 2905 - 2908)	03		10,275	—
<b>TOTAL: (rows 01 to 05)</b>	<b>06</b>	<b>1 a)</b>	<b>10,275</b>	<b>—</b>
<b>II. TANGIBLE ASSETS</b>				
1. Land and buildings (acc. 211 + 212 - 2811 - 2812 - 2911 - 2912)	07		—	—
2. Machinery and equipment (acc. 213 - 2813 - 2913)	08		428,626	—
3. Other equipment and furniture (acc. 214 - 2814 - 2914)	09		67,175	—
<b>TOTAL: (rows 07 to 10)</b>	<b>11</b>	<b>1 b)</b>	<b>495,801</b>	<b>—</b>
<b>III. FINANCIAL ASSETS</b>				
1. Shares held in subsidiaries (acc. 261 - 2961)	12		—	70,077,549
3. Investments in associates (acc. 263 - 2963)	14		—	3,816,028,612
5. Investments held as financial assets (acc. 262 + 264 + 265 + 266 - 2696 - 2962 - 2964)	16		9,552,005,551	7,004,416,770
6. Other receivables (acc. 2673 + 2674 + 2678 + 2679 - 2966 - 2969)	17		132,859	—
<b>TOTAL: (rows 12 to 17)</b>	<b>18</b>	<b>1 c)</b>	<b>9,552,138,410</b>	<b>10,890,522,931</b>
<b>NON-CURRENT ASSETS-TOTAL (rows 06 + 11 + 18)</b>	<b>19</b>		<b>9,552,644,486</b>	<b>10,890,522,931</b>

A	Row	Note	Balance	
			31 December 2009	31 December 2010
	B		1	2
<b>B. CURRENT ASSETS</b>				
<b>II. RECEIVABLES</b>				
1. Trade receivables (acc. 2675 + 2676 + 2678 + 2679 - 2966 - 2969 + 4092 + 411 + 413 + 418 - 491)	24		3,130	85,547
4. Other receivables (acc. 425 + 4282 + 431 + 437 + 4382 + 441 + 4424 + 4428 + 444 + 445 + 446 + 447 + 4482 + 4582 + 461 + 473 - 496 + 5187)	27		18,126,217	12,352,520
5. Receivables relating to unpaid capital subscribed (acc. 456 - 4953)	28		497,419,500	—
<b>TOTAL: (rows 24 to 28)</b>	<b>29</b>	<b>5</b>	<b>515,548,847</b>	<b>12,438,067</b>
<b>III. SHORT TERM FINANCIAL INVESTMENTS</b>				
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
<b>TOTAL: (rows 30 to 31)</b>	<b>32</b>	<b>13</b>	<b>—</b>	<b>248,021,476</b>
<b>IV. CASH AND BANK ACCOUNTS</b>				
(acc. 5112 + 5121 + 5122 + 5123 + 5124 + 5125 + 5311 + 5314 + 5321 + 5322 + 5323 + 5328 + 5411 + 5412 + 542)	33	12	2,151,216,928	1,071,973,391
<b>CURRENT ASSETS-TOTAL</b> (rows 23 + 29 + 32 + 33)	<b>34</b>		<b>2,666,765,775</b>	<b>1,332,432,934</b>
<b>C. PREPAID EXPENSES</b>				
(acc. 471)	35		56,883	31,004
<b>D. PAYABLES WITHIN ONE YEAR</b>				
4. Trade payables (acc. 401 + 404 + 408)	39		108,140	25,529,058
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		7,269,496	43,758,337
<b>TOTAL: (rows 36 to 43)</b>	<b>44</b>	<b>5</b>	<b>7,377,636</b>	<b>69,287,395</b>
<b>E. NET CURRENT ASSETS OR NET CURRENT LIABILITIES</b>				
(rows 34 + 35 - 44 - 60.2)	45		2,659,445,022	1,263,176,543
<b>F. TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
(rows 19 + 45 - 60.1)	46		12,212,089,508	12,153,699,474

A	Row	Note	Balance	
			31 December 2009	31 December 2010
	B		1	2
<b>H. PROVISIONS</b>				
2. Provisions for taxes (acc. 1516)	57		14,121,232	14,138,306
3. Other provisions (acc. 1511 + 1512 + 1513 + 1514 + 1518)	58		941,286	285,792
<b>TOTAL PROVISIONS</b> (rows 56 + 57 + 58)	59	2	<b>15,062,518</b>	<b>14,424,098</b>
<b>J. SHARE CAPITAL AND RESERVES</b>				
<b>I. SHARE CAPITAL</b> (rows 62 to 63) out of which:	61	7	<b>14,240,540,675</b>	<b>13,778,392,208</b>
– subscribed unpaid share capital (acc. 1011)	62		497,419,500	—
– subscribed paid in capital (acc. 1012)	63		13,743,121,175	13,778,392,208
<b>IV. RESERVES</b> (rows 68 to 73–74)	67		<b>(3,242,109.133)</b>	<b>(2,146,209,927)</b>
1. Legal reserves (acc. 1061)	68		79,154,937	102,524,308
2. Reserves related to impairment adjustments of financial assets (acc. 1062)	69		(3,441,563,626)	(2,369,140,506)
4. Reserves for securities received free of charge (acc. 1065)	71		—	106,715
7. Other reserves (acc. 1068)	74		120,299,556	120,299,556
<b>V. RETAINED EARNINGS</b> (acc. 117)				
Credit balance	76		504,964,040	74,278,645
<b>VI. RESULT FOR THE YEAR</b> (acc. 121)				
Credit balance	78		730,138,324	456,183,821
Profit allocation (acc. 129)	80	3	36,506,916	23,369,371
<b>TOTAL SHAREHOLDERS' EQUITY</b> (rows 61 + 64 + 65 - 66 + 67 + 76 - 77 + 78 - 79 - 80)	81		<b>12,197,026,990</b>	<b>12,139,275,376</b>

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

Prepared by

Grzegorz Maciej Konieczny  
Legal Representative

Mihaela Moleavin  
Financial Reporting Manager

**S.C. FONDUL PROPRIETATEA S.A.**  
**INCOME STATEMENT**  
**FORM CODE 20**  
**FOR THE YEAR ENDED AS AT 31 DECEMBER 2010**

A	Row	Note	Financial year ended	
			31 December 2009	31 December 2010
	B		1	2
<b>A. REVENUES FROM CURRENT ACTIVITY–TOTAL</b> (rows 02 to 11)	<b>01</b>	<b>4</b>	<b>1,320,362,566</b>	<b>576,629,495</b>
1. Revenues from financial assets (acc. 761)	<b>02</b>	<b>15</b>	118,165,267	179,049,051
4. Revenues from disposal of financial assets (acc. 758* + 764)	<b>05</b>		980,237,872	—
6. Revenues from provisions, receivables previously written off and sundry debtors (acc. 754 + 781 + 786)	<b>07</b>		31,566,178	217,362,939
7. Revenues from foreign exchange differences (acc. 765)	<b>08</b>		47,727,476	47,734,665
8. Interest income (acc. 766)	<b>09</b>		142,469,834	131,466,209
10. Other income from current activity (acc. 705 + 706 + 708 + 741 + 758** + 767 + 768)	<b>11</b>		195,939	1,016,631
<b>B. EXPENSES FROM CURRENT ACTIVITY–TOTAL</b> (rows 13 to 20)	<b>12</b>	<b>4</b>	<b>486,170,050</b>	<b>109,242,071</b>
12. Expenses from disposal of financial assets (acc. 658 (part) + 664)	<b>14</b>		428,742,731	—
13. Expenses from foreign exchange differences (acc. 665)	<b>15</b>		32,995,783	56,899,816
14. Interest expense (acc. 666)	<b>16</b>		2	214
15. Commissions and fees (acc. 622)	<b>17</b>		311,821	6,004,697
16. Expenses for bank services and similar expenses (acc. 627)	<b>18</b>		149,831	130,168
17. Depreciation and amortisation, provisions, losses from receivables and sundry debtors (acc. 654 + 681 + 686)	<b>19</b>		643,984	239,567
<b>18. Other expenses from current activity</b> (rows 21 + 22 + 23 + 26 + 27)	<b>20</b>		<b>23,325,898</b>	<b>45,967,609</b>
a. Materials expenses (acc. 602+603+604)	<b>21</b>		144,163	155,975
b. Utilities expenses (water and energy) (acc. 605)	<b>22</b>		45,977	27,062
<b>c. Salary expenses</b> (rows 24 + 25), of which:	<b>23</b>		<b>13,507,594</b>	<b>4,068,409</b>
c1. Salaries (acc. 621 + 641 + 642)	<b>24</b>	<b>8</b>	10,693,022	3,202,543
c2. Social security contributions (acc. 645)	<b>25</b>		2,814,572	865,866
d. Third party expenses (acc. 611 + 612 + 613 + 614 + 623 + 624 + 625 + 626 + 628 + 658** + 667 + 668)	<b>26</b>		8,805,531	33,564,147
e. Other taxes, duties and similar expenses (acc. 635)	<b>27</b>		822,633	8,152,016

A	Row	Note	Financial year ended	
			31 December 2009	31 December 2010
	B		1	2
<b>C. CURRENT RESULT</b>				
– Profit (row 01 - 12)	28		834,192,516	467,387,424
<b>19. TOTAL REVENUE</b> (rows 01 + 30)	34		1,320,362,566	576,629,495
<b>20. TOTAL EXPENSES</b> (rows 12 + 31)	35		486,170,050	109,242,071
<b>G. GROSS PROFIT:</b>				
– Profit (rows 34 - 35)	36		834,192,516	467,387,424
<b>21. INCOME TAX EXPENSE</b>				
Income tax expense (acc. 691)	38	10	104,054,192	11,203,603
<b>H. RESULT FOR THE YEAR</b>				
– Profit (rows 36 - 38 - 39)	40		730,138,324	456,183,821

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

Prepared by

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**S.C. FONDUL PROPRIETATEA S.A.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	2009	2010
<b>Cash flows from operating activities</b>		
Payments to suppliers and similar payments	(11,096,398)	(8,104,099)
Payments to employees and similar payments, including related taxes and contributions	(11,534,189)	(6,324,341)
Payments related to other taxes and fees	—	(12,925,345)
Other receipts, net of other payments	179,939	146,722
Interest paid	(2)	(214)
Income tax paid	(104,971,445)	(15,379,807)
<b>Net cash flows used in operating activities</b>	<b>(127,422,095)</b>	<b>(42,587,084)</b>
<b>Cash flows from investment activities</b>		
Dividends received	118,644,463	174,979,796
Interest received	139,629,788	141,245,712
Payments for the acquisition of tangible and intangible assets	(23,563)	(22,427)
Proceeds from disposal of tangible assets	16,000	94,727
Proceeds from disposal of financial assets	980,237,872	—
Payments for acquisition of financial assets	—	(47,335,500)
Other receipts	—	38,488
Net proceeds from/(payments for) treasury bonds & bills	390,456,918	(246,272,509)
Net (payment for)/collection of deposits with original maturity greater than 3 months	(1,308,649,962)	930,163,463
<b>Net cash flows generated from investment activities</b>	<b>320,311,516</b>	<b>952,891,750</b>
<b>Cash flows from financing activities</b>		
Receipts from shareholders for share capital increase	63,846,176	42,962,232
Dividends paid, including related withholding tax	(1,056,789)	(1,093,273,371)
<b>Net cash flows (used in)/generated from financing activities</b>	<b>62,789,387</b>	<b>(1,050,311,139)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>255,678,808</b>	<b>(140,006,473)</b>
<b>Cash and cash equivalents as at 1 January</b>	<b>572,156,465</b>	<b>842,566,966</b>
Foreign exchange differences on cash and cash equivalents	14,731,693	(9,073,601)
<b>Cash and cash equivalents as at December 31</b>	<b>842,566,966</b>	<b>693,486,892</b>

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**FONDUL PROPRIETATEA S.A.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

Element of equity	Balance as at 31 December 2008	Increases		Decreases		Balance as at 31 December 2009
		Total	Of which by transfer:	Total	Of which, by transfer	
Subscribed paid in share capital	13,679,274,999	63,846,176	63,846,176	—	—	13,743,121,175
Subscribed unpaid share capital	561,265,676	—	—	63,846,176	63,846,176	497,419,500
Legal reserves	29,159,238	49,995,699	49,995,699	—	—	79,154,937
Reserves related to impairment adjustments of financial assets	(3,981,590,342)	(355,590,718)	—	(895,617,434)	—	(3,441,563,626)
Other reserves	120,299,556	—	—	—	—	120,299,556
Result from the adjustment of accounting errors – credit balance	74,136,468	—	—	—	—	74,136,468
Retained earnings representing profit not allocated – credit balance	—	444,316,354	444,316,354	13,488,782	13,488,782	430,827,572
Result for the year – credit balance	467,701,426	730,138,324	—	467,701,426	467,701,426	730,138,324
Allocation of profit	(23,385,071)	(36,506,916)	(36,506,916)	(23,385,071)	(23,385,071)	(36,506,916)
<b>Total equity</b>	<b>10,926,861,950</b>	<b>896,198,919</b>	<b>521,651,313</b>	<b>(373,966,121)</b>	<b>521,651,313</b>	<b>12,197,026,990</b>

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Element of equity	Balance as at 31 December 2009	Increases		Decreases		Balance as at 31 December 2010
		Total	Of which by transfer:	Total	Of which, by transfer	
Subscribed paid in share capital	13,743,121,175	35,271,033	14,471,410	—	—	13,778,392,208
Subscribed unpaid share capital	497,419,500	—	—	497,419,500	14,471,410	—
Legal reserves	79,154,937	23,369,371	23,369,371	—	—	102,524,308
Reserves related to impairment						
adjustments of financial assets	(3,441,563,626)	(37,604,722)	—	(1,110,027,842)	—	(2,369,140,506)
Other reserves	120,299,556	—	—	—	—	120,299,556
Reserves from shares received						
free of charge	—	106,715	—	—	—	106,715
Result from the adjustment of						
accounting errors – credit balance	74,136,468	—	—	—	—	74,136,468
Retained earnings representing profit						
not allocated – credit balance	430,827,572	693,631,408	693,631,408	1,124,316,803	—	142,177
Result for the year – credit balance	730,138,324	456,183,821	—	730,138,324	730,138,324	456,183,821
Allocation of profit	(36,506,916)	(23,369,371)	(23,369,371)	(36,506,916)	(36,506,916)	(23,369,371)
<b>Total equity</b>	<b>12,197,026,990</b>	<b>1,147,588,255</b>	<b>708,102,818</b>	<b>1,205,339,869</b>	<b>708,102,818</b>	<b>12,139,275,376</b>

The decrease in “Retained earnings representing profit not allocated” by Lei 1,124,316,803 represents the 2010 dividend distribution relating to 2008 and 2009 earnings. The gross dividend (aggregated for 2008 and 2009) was Lei 0.0816 per share.

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**S.C. FONDUL PROPRIETATEA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**1. NON-CURRENT ASSETS**

**a) Intangible assets**

	Computer software
<b>Gross value (acquisition cost)</b>	
Balance as at 1 January 2010	42,183
Acquisitions	4,720
Disposals	(41,764)
<b>Balance as at 31 December 2010</b>	<b>5,139</b>
<b>Amortisation</b>	
Balance as at 1 January 2010	(31,908)
Amortisation during the period	(4,147)
Accumulated amortisation of disposals	30,916
<b>Balance as at 31 December 2010</b>	<b>(5,139)</b>
<b>Net book value as at 1 January 2010</b>	<b>10,275</b>
<b>Net book value as at 31 December 2010</b>	<b>—</b>

**b) Tangible assets**

	Building improvements	Equipment and vehicles	Furniture and office equipment	Total
<b>Gross value (acquisition cost)</b>				
Balance as at 1 January 2010	445,869	749,135	83,048	1,278,052
Acquisitions	—	17,707	—	17,707
Of which, by transfer	—	—	—	—
Disposals	(445,869)	(760,234)	(83,048)	(1,289,151)
Of which, by transfer	—	—	—	—
<b>Balance as at 31 December 2010</b>	<b>—</b>	<b>6,608</b>	<b>—</b>	<b>6,608</b>
<b>Accumulated depreciation</b>				
Balance as at 1 January 2010	(445,869)	(320,509)	(15,873)	(782,251)
Depreciation during the period	—	(99,414)	(4,064)	(103,478)
Accumulated depreciation on disposals	445,869	413,315	19,937	879,121
<b>Balance as at 31 December 2010</b>	<b>—</b>	<b>(6,608)</b>	<b>—</b>	<b>(6,608)</b>
<b>Net book value as at 1 January 2010</b>	<b>—</b>	<b>428,626</b>	<b>67,175</b>	<b>495,801</b>
<b>Net book value as at 31 December 2010</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

During 2010, most of the tangible assets of the Fund were disposed of (either by sale or write off). The Fund no longer needed these assets due to its administration being taken over by Franklin Templeton Investment Management Ltd. Bucharest Branch ("Fund Manager") during the year. The new administrator is responsible for providing its own premises and equipment, and the residual assets of the Fund were no longer required following relocation to new premises.

**1. NON-CURRENT ASSETS** (cont'd.)

As at 31 December 2010, the only tangible assets held are in the category “Machinery and equipment”, and these consist of computers and printers.

As at 31 December 2010 and 31 December 2009 the Fund had no tangible assets pledged or held in custody by third parties.

**c) Financial assets**

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

	Investments held as financial assets	Other receivables– lease deposits	Total
<b>Gross value (acquisition cost/valuation)</b>			
Balance as at 1 January 2010	13,218,685,639	132,859	13,218,818,498
Free shares received as contributions to share capital	2,039,180	—	2,039,180
Free shares received from portfolio companies– incorporation of reserves	106,715	—	106,715
Acquisitions	47,335,500	—	47,335,500
Return of lease deposits	—	(132,859)	(132,859)
<b>Balance as at 31 December 2010</b>	<b>13,268,167,034</b>	<b>—</b>	<b>13,268,167,034</b>
Adjustments for impairment of financial assets			
Balance as at 1 January 2010	(3,666,680,088)	—	(3,666,680,088)
Adjustments for impairment during the year through reserves (acc. 1062)	(37,604,723)	—	(37,604,723)
Reversal of adjustments for impairment during the year through reserves (acc. 1062)	1,110,027,843	—	1,110,027,843
Reversal of adjustments for impairment to income statement (acc. 7863)	216,612,865	—	216,612,865
<b>Balance as at 31 December 2010</b>	<b>(2,377,644,103)</b>	<b>—</b>	<b>(2,377,644,103)</b>
<b>Net book value as at 1 January 2010</b>	<b>9,552,005,551</b>	<b>132,859</b>	<b>9,552,138,410</b>
<b>Net book value as at 31 December 2010</b>	<b>10,890,522,931</b>	<b>—</b>	<b>10,890,522,931</b>

During 2010, the Fund recorded the following increases in investments held as financial assets:

- acquisition of 3,925,000 shares in BRD–Groupe Societe Generale;
- free shares received in existing portfolio companies, accounted for as contributions in kind to share capital of the Fund, including: 279,500 free shares in Poșta Romană S.A. (at the nominal value of 1 Leu/share), 142,494 shares in Hidroelectrica S.A. (at the nominal value of 10 Lei/share) and 33,474 shares in Plafar S.A. (at the nominal value of 10 Lei/share). These free shares were received following to the application of the provisions of Government Emergency Ordinance (“GEO”) 81/2007. The source of the increases in share capital is the land for which the respective companies have obtained title deeds.
- free shares received in portfolio companies as a result of share capital increase from incorporation of reserves, including 42,686 shares in Comcereal Cluj S.A. (at the nominal value of 2.5 Lei/share). The source of share capital increase was the share premium of the company.

**1. NON-CURRENT ASSETS** (cont'd.)

The movements in impairment adjustment for the financial assets during 2010 are presented below:

Name of the company	Balance as at 1 January 2010	Adjustments for impairment during the year	Reversal of adjustments for impairment to income statement	Reversal of adjustments for impairment during the year through reserves	Balance as at 31 December 2010
OMV Petrom SA	2,877,805,845	—	—	979,637,196	1,898,168,649
Hidroelectrica SA	285,892,818	—	216,611,581	69,281,237	—
Nuclearelectrica SA	271,839,086	—	—	2,123,395	269,715,691
Transelectrica SA	129,029,051	—	—	57,886,990	71,142,061
Romaero SA	31,644,284	8,657,161	—	—	40,301,445
Electromecanica Ploiesti SA	21,436,245	—	—	—	21,436,245
Uzina Mecanica Bucuresti SA	20,024,890	—	—	—	20,024,890
Romplumb	13,437,482	—	—	79,611	13,357,871
Simtex SA	3,059,858	—	—	—	3,059,858
Plafar SA	2,825,589	334,740	—	—	3,160,329
Petrotel–Lukoil SA	2,787,316	—	—	—	2,787,316
Severnav SA	2,494,442	4,402,614	—	—	6,897,056
Oil Terminal SA	1,473,549	1,106,617	—	—	2,580,166
Carbid Fox	927,356	—	—	—	927,356
Prestari Servicii SA	798,875	236,464	—	—	1,035,339
Electrica Furnizare Muntenia Nord SA	—	6,412,890	—	—	6,412,890
Electrica Furnizare Transilvania Sud SA	—	6,228,377	—	—	6,228,377
Electrica Furnizare Transilvania Nord SA	—	5,178,405	—	—	5,178,405
Enel Energie SA	—	3,361,417	—	—	3,361,417
Other participations	1,203,402	1,686,038	1,284	1,019,414	1,868,742
<b>TOTAL</b>	<b>3,666,680,088</b>	<b>37,604,723</b>	<b>216,612,865</b>	<b>1,110,027,843</b>	<b>2,377,644,103</b>

**1. NON-CURRENT ASSETS** (cont'd.)

List of the financial assets as at 31 December 2010:

Name of the company	% of the share capital held as at 31 December 2010	Cost as at 31 December 2010	Adjustment for impairment as at 31 December 2010	Cost less impairment adjustment as at 31 December 2010
<b>Shares held in subsidiaries</b>				
Zirom SA	100.00%	36,030,702	—	36,030,702
Primcom SA	78.97%	20,489,158	—	20,489,158
Romplumb SA	51.00%	19,249,219	13,357,871	5,891,348
Delfincom SA	65.51%	6,225,070	—	6,225,070
Carom–Broker Asigurare SA	70.00%	1,161,986	89,431	1,072,555
Prestari Servicii SA	70.56%	1,035,339	1,035,339	—
Alcom SA	71.90%	471,052	471,052	—
Telerom Proiect SA	68.63%	236,083	—	236,083
Comsig SA	69.95%	132,633	—	132,633
<b>Total–Shares held in subsidiaries</b>		<b>85,031,242</b>	<b>14,953,693</b>	<b>70,077,549</b>
<b>Investments in associates</b>				
OMV Petrom SA	20.11%	5,714,197,261	1,898,168,649	3,816,028,612
<b>Total–Investments in associates</b>		<b>5,714,197,261</b>	<b>1,898,168,649</b>	<b>3,816,028,612</b>
<b>Investments held as financial assets</b>				
Hidroelectrica SA	19.94%	3,099,587,796	—	3,099,587,796
Nuclearelectrica SA	9.73%	967,926,936	269,715,692	698,211,244
Romgaz SA	14.99%	416,301,444	—	416,301,444
Complexul Energetic Turceni SA	24.79%	282,299,927	—	282,299,927
Transelectrica SA	13.50%	262,614,413	71,142,061	191,472,352
Complexul Energetic Craiova SA	24.36%	250,169,153	—	250,169,153
Transgaz SA	14.99%	177,353,514	—	177,353,514
Alro SA	9.93%	168,858,817	—	168,858,817
Electrica Distributie Muntenia Nord SA	22.00%	165,221,141	—	165,221,141
ENEL Distributie Banat SA	24.13%	141,578,929	—	141,578,929
Complexul Energetic Rovinari SA	23.60%	137,615,732	—	137,615,732
CN Aeroporturi Bucuresti SA	20.00%	131,168,263	—	131,168,263
E.ON Moldova Distributie SA	22.00%	131,073,011	—	131,073,011
ENEL Distributie Dobrogea SA	24.09%	114,760,053	—	114,760,053
Electrica Distributie Transilvania Sud SA	22.00%	125,918,629	—	125,918,629
Electrica Distributie Transilvania Nord SA	22.00%	113,299,904	—	113,299,904
Enel Distributie Muntenia SA	12.00%	107,277,263	—	107,277,263
Posta Romana SA	25.00%	84,664,380	—	84,664,380
Societatea Nationala a Sarii SA	49.00%	76,347,715	—	76,347,715
GDF Suez Energy SA	12.00%	59,982,622	—	59,982,622

**1. NON-CURRENT ASSETS** (cont'd.)

Name of the company	% of the share capital held as at 31 December 2010	Cost as at 31 December 2010	Adjustment for impairment as at 31 December 2010	Cost less impairment adjustment as at 31 December 2010
<b>Investments held as financial assets</b> (cont'd.)				
Romaero SA	21.00%	58,533,949	40,301,444	18,232,505
CN Administratia Porturilor Maritime SA	20.00%	52,621,414	—	52,621,414
BRD-Groupe Societe Generale	0.56%	47,335,499	—	47,335,499
E.ON Energie Romania SA (former E.ON Gaz Romania SA)	13.40%	45,765,358	—	45,765,358
Conpet SA	20.06%	40,829,884	—	40,829,884
E.ON Gaz Distributie SA	12.00%	37,470,244	—	37,470,244
ENEL Energie SA	12.00%	26,124,808	3,361,417	22,763,391
Electromecanica Ploiesti SA	49.00%	21,436,245	21,436,245	—
Uzina Mecanica Bucuresti SA	36.60%	20,024,890	20,024,890	—
Oil Terminal SA	10.00%	15,451,875	2,580,166	12,871,709
CN Administratia Canalelor Navigabile SA	20.00%	15,194,209	—	15,194,209
Severnav SA	39.11%	14,014,409	6,897,056	7,117,353
Azomures SA	7.69%	10,652,373	—	10,652,373
Electrica Furnizare Muntenia Nord SA	22.00%	6,412,890	6,412,890	—
Electrica Furnizare Transilvania Sud SA	22.00%	6,228,377	6,228,377	—
Electrica Furnizare Transilvania Nord SA	22.00%	5,178,405	5,178,405	—
Forsev SA	28.14%	3,780,366	—	3,780,366
Plafar SA	49.00%	3,160,329	3,160,329	—
Simtex SA	30.00%	3,059,858	3,059,858	—
Enel Energie Muntenia SA	12.00%	2,833,769	—	2,833,769
Petrotel-Lukoil SA	2.18%	2,787,316	2,787,316	—
Aeroportul International Timisoara– Traian Vuia SA	20.00%	2,652,588	—	2,652,588
Palace SA	15.43%	1,860,419	—	1,860,419
Laromet SA	4.20%	1,547,497	—	1,547,497
Aeroportul International Mihail Kogalniceanu SA	20.00%	1,490,898	—	1,490,898
CN Administratia Porturilor Dunarii Maritime SA	20.00%	1,351,671	—	1,351,671
Carbid Fox SA	7.97%	927,357	927,357	—
Comcereal Cluj SA	11.36%	913,756	—	913,756
CN Administratia Porturilor Dunarii Fluviale SA	20.00%	675,810	—	675,810
Bat Service SA	33.00%	656,686	656,686	—
Mecon SA	12.51%	484,544	—	484,544
IOR SA	2.82%	348,756	—	348,756

**1. NON-CURRENT ASSETS** (cont'd.)

Name of the company	% of the share capital held as at 31 December 2010	Cost as at 31 December 2010	Adjustment for impairment as at 31 December 2010	Cost less impairment adjustment as at 31 December 2010
<b>Investments held as financial assets</b> (cont'd.)				
Gerovital Cosmetics SA	9.77%	340,996	340,996	—
Zamur Targu Mures SA	7.18%	319,724	—	319,724
Electroconstructia Elco Cluj SA	7.62%	319,656	—	319,656
Mecanoenergetica SA	10.08%	256,275	19,613	236,662
Turdapan SA	44.07%	240,000	—	240,000
Celuloza si Otel SA	8.63%	230,675	—	230,675
Salubriserv SA	17.49%	207,601	—	207,601
Commetex SA	16.00%	193,500	—	193,500
Transilvania Com SA	40.00%	177,010	—	177,010
Comcereal Fundulea SA	5.35%	170,530	10,985	159,545
Vitacom SA	46.91%	148,075	38,727	109,348
Resib SA	2.88%	126,217	126,217	—
Cetatea SA	20.44%	118,840	—	118,840
Comcereal Miercurea Ciuc SA	10.03%	64,817	—	64,817
Retizoh SA	7.38%	64,560	64,560	—
World Trade Center Bucuresti SA	19.90%	42,459	42,459	—
Ciocirlia SA	1.69%	37,125	—	37,125
Marlin SA	4.95%	34,014	6,813	27,201
World Trade Hotel SA	19.90%	17,912	1,202	16,710
Familial Restaurant SA	2.76%	2,454	—	2,454
Fecne SA	12.12%	—	—	—
<b>Total – Investments held as financial assets</b>		<b>7,468,938,531</b>	<b>464,521,761</b>	<b>7,004,416,770</b>
<b>TOTAL</b>		<b>13,268,167,034</b>	<b>2,377,644,103</b>	<b>10,890,522,931</b>

As at 31 December 2010, the Fund reclassified certain non-current financial assets from “Investments held as financial assets” category into “Shares held in subsidiaries” or “Investments in associates” categories.

As at 31 December 2009 all the financial assets were classified as “Investments held as financial assets”.

During 2010 the following mergers between companies in Fondul Proprietatea portfolio have been registered with the Trade Register:

- The merger of CN Aeroportul Internațional Henri Coandă S.A. and SN Aeroportul Internațional București Băneasa Aurel Vlaicu S.A. to create the new CN Aeroporturi București SA, which now manages both airports in Bucharest. The merger decision received the required General Shareholders Meetings approvals during 2009 and was recorded with the Trade Register during 2010. Fondul Proprietatea holds 20% of the new company. Following the merger of the two companies, Fondul Proprietatea maintained an undiluted stake in the newly incorporated company compared to the previous holdings.



**1. NON-CURRENT ASSETS** (cont'd.)

- The merger by absorption of E.ON Gaz Romania S.A., as absorbing company, with E.ON Moldova Furnizare S.A. as absorbed company was approved by the Extraordinary General Shareholders Meetings of both E.ON Gaz Romania S.A. and E.ON Moldova Furnizare S.A. at the end of November and became effective on 31 December 2010. At the same time, the share capital of the absorbing company increased by 25.84 million RON, to 184.78 million RON, of which the Fund holds 13.4%. Following the merger, E.ON Gaz Romania S.A. changed its name to E.ON Energie Romania SA and E.ON Moldova Furnizare S.A. has been removed from the Trade Register. Fondul received 0.7455 new shares in E.ON Energie Romania SA for every share previously held in E.ON Moldova Furnizare S.A. The Fund has decided to challenge in Court the merger decision on valuation grounds.

During 2010 the following mergers between companies in Fondul Proprietatea's portfolio were in progress:

- In 2010 the Government passed a decision to restructure the energy sector and to create two new electricity generation companies. The two companies were to be named Electra and Hidroenergetica. Electra was to be formed through the merger of Nuclearelectrica, Societatea Nationala a Lignitului Oltenia (The National Lignite Company), Complexul Energetic Turceni (Thermo Power Plant), Complexul Energetic Rovinari (Thermo Power Plant) and Complexul Energetic Craiova (Thermo Power Plant) with some of Hidroelectrica's spun-off assets, namely Ramnicu Valcea, Sibiu, Targu Jiu and Hidroserv Ramnicu Valcea subsidiaries. Hidroenergetica was to be formed through the merger of the remaining assets of Hidroelectrica with two Termoelectrica subsidiaries—Electrocentrale Deva and Electrocentrale Bucuresti (thermo power plants). The Fund Manager, disputed the proposed merger plan, and voted against it during the General Shareholders Meetings on the 19 November 2010. Fondul has subsequently initiated legal action against the shareholders' decisions and as a result, the merger plan is now suspended in court.
- On 8 November 2010, the General Shareholders Meetings of Electrica Furnizare Transilvania Nord SA, Electrica Furnizare Muntenia Nord SA and Electrica Furnizare Transilvania Sud SA approved in principle the merger of the 3 companies and delegated to the companies' Boards of Directors the responsibility to plan the merger project. The final General Shareholders Meetings to approve the merger project and the merger of the 3 companies have not yet been held.

**2. PROVISIONS**

Provisions	31 December 2009	Transfers		31 December 2010
		Increase	Reversal	
Provisions for taxes	14,121,232	17,074	—	14,138,306
Provisions for restructuring	941,286	94,580	750,074	285,792
<b>TOTAL</b>	<b>15,062,518</b>	<b>111,654</b>	<b>750,074</b>	<b>14,424,098</b>

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

The provisions for restructuring were set up in anticipation of future changes to the management and administration of the Fund. These changes came into effect in September 2010 on Fund Manager's appointment, and the partial reversal of the provision relates to the Fund paying compensation to previous management and employees when their labour contracts were terminated. Not all contracts had been terminated by 31 December 2010 for legal reasons, and the residual provision covers the compensation rights of the few remaining employees.

### 3. PROFIT ALLOCATION

Destination	31 December 2009	31 December 2010
<b>Net profit to be allocated, of which:</b>	<b>730,138,324</b>	<b>456,183,821</b>
– Legal reserve	36,506,916	23,369,371
<b>Profit not allocated</b>	<b>693,631,408</b>	<b>432,814,450</b>

During 2010 the Fund distributed dividends related to earnings of the financial years 2008 and 2009, totalling Lei 1,124,316,803 (from 2008 net profit: Lei 430,773,104; from 2009 net profit: Lei 693,543,699). The gross dividend, cumulated for both years, amounted to Lei 0.0816 per share.

When shareholders voted for the dividend distribution in 2010 (on 6 September), the Fund was an entity regulated by CNVM and governed by Capital Market Law (Law 297/2004, as subsequently amended). As a consequence, the calculation of net assets for the Fund was performed according to that law, permitting a dividend distribution in 2010.

The Fund has allocated 5% of its 2010 profit to legal reserves. This amounted to Lei 23,369,371 (2009: Lei 36,506,916).

Any further allocation of the profit for the financial year 2010, including any distribution of dividends, is subject to shareholders' decision.

The Fund's dividend policy, defined in the December 2010 Prospectus for Listing is as follows: "In the absence of exceptional market conditions or circumstances, the Fund Manager intends to recommend to shareholders the distribution of 100% of distributable revenue profits each year, broadly defined as gross dividend income received from investments and interest earned on cash deposits, less expenses and taxation, subject to legal and taxation regulations."

### 4. ANALYSIS OF THE OPERATING RESULT

Caption	2009	2010
Revenues from financial assets (acc. 761)	118,165,267	179,049,051
Revenues from disposal of financial assets (ct. 764)	980,237,872	—
Revenues from foreign exchange differences (acc. 765)	47,727,476	47,734,665
Interest income (acc. 766)	142,469,834	131,466,209
Revenues from provisions - reversals (acc. 781 + acc. 786), including:	31,566,178	217,362,939
– from adjustment for impairment of financial assets	30,167,642	216,612,865
– from adjustments for impairment of receivables	1,398,536	—
– from provisions for restructuring	—	750,074
Other income from current activity (acc. 706 + acc. 708 + acc. 758)	195,939	1,016,631
<b>REVENUES FROM CURRENT ACTIVITY</b>	<b>1,320,362,566</b>	<b>576,629,495</b>

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

"Other income from current activity" included mainly penalties for late payment of dividends, income related to litigation expenses recovered and revenues from sale of tangible assets.

**4. ANALYSIS OF THE OPERATING RESULT** (cont'd.)

Caption	2009	2010
Expenses from disposal of financial assets (acc. 664)	(428,742,731)	—
Expenses from foreign exchange differences (acc. 665)	(32,995,783)	(56,899,816)
Interest expense (acc. 666)	(2)	(214)
Expenses with banking and similar services (acc. 627)	(149,831)	(130,168)
Commissions and fees (acc. 622)	(311,821)	(6,004,697)
Depreciation and amortisation, impairment adjustments and provisions expenses (acc. 681 + acc. 686), including:	(643,984)	(239,567)
• depreciation/amortisation of tangible/intangible assets	(268,162)	(107,626)
• provisions for risks and charges	(375,822)	(111,654)
• impairment of receivables	—	(20,287)
Other expenses from current activity, including:	(23,325,898)	(45,967,609)
• materials (acc. 602 + acc. 603 + acc. 604)	(144,163)	(155,975)
• utilities (acc. 605)	(45,977)	(27,062)
• personnel, administrators and similar expenses, including:	(13,507,594)	(4,068,409)
– salaries and incentives (acc. 641+ acc. 642)	(10,693,022)	(3,202,543)
– social security (acc. 645)	(2,814,572)	(865,866)
• external services, of which:	(8,805,531)	(33,564,147)
– third parties services (acc. 628)	(7,335,515)	(31,340,014)
– protocol, advertising (acc. 623)	(164,420)	(123,600)
– rents (acc. 612)	(552,286)	(562,790)
– transportation, business, travels (acc. 624+ acc. 625)	(150,603)	(27,158)
– insurance premiums (acc. 613)	(353,230)	(209,500)
– post and telecommunications (acc. 626)	(110,102)	(90,641)
– other expense (acc. 611+ acc. 658)	(139,375)	(1,210,444)
• other taxes and similar expenses (acc. 635)	(822,633)	(8,152,016)
<b>EXPENSES FROM CURRENT ACTIVITY</b>	<b>(486,170,050)</b>	<b>(109,242,071)</b>
<b>GROSS RESULT FROM CURRENT ACTIVITY</b>	<b>834,192,516</b>	<b>467,387,424</b>

In 2010, “Commissions and fees” included mainly monthly fees payable to National Securities Commission (“CNVM”) of Lei 5,373,143 (2009: Nil) and the fees payable to the Fund’s depositary bank, Bancpost S.A., of Lei 627,843 (2009: Nil).

“Third parties services” included investment management and administration fees payable to the Fund Manager, of Lei 18,305,781 in 2010 (2009: Nil).

“Other expenses” included mainly expenses such as penalties and expenses related to disposal of tangible and intangible assets (the net book value of those assets as at the date of disposal).

## 5. STATEMENT OF RECEIVABLES AND PAYABLES

Receivables	31 December 2009	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Receivables related to unpaid capital subscribed	497,419,500	497,419,500	—	—
Dividend receivables, net	19,125	19,125	—	—
Interest receivable	18,091,193	18,091,193	—	—
Trade receivables	3,130	3,130	—	—
Other receivables	15,899	15,899	—	—
<b>TOTAL</b>	<b>515,548,847</b>	<b>515,548,847</b>	—	—

Receivables	31 December 2010	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Dividend receivables, net	4,069,237	4,069,237	—	—
Interest receivable	6,498,199	6,498,199	—	—
Profit tax receivable	934,870	934,870	—	—
Trade receivables	85,547	85,547	—	—
Other receivables	850,214	850,214	—	—
<b>TOTAL</b>	<b>12,438,067</b>	<b>12,438,067</b>	—	—

“Receivables related to unpaid capital subscribed” recorded as at 31 December 2009 represented consideration that should be paid (in cash or in kind) by the significant shareholder of the Fund (the Romanian State, represented by the Ministry of Public Finance) for the subscribed share capital to be fully paid in. In August 2010, according to Law 142/2010, the shares representing any capital subscribed and unpaid as at that date (482,948,088 shares, at a nominal value of 1 Leu/share) were cancelled.

As at 31 December 2010 “Dividend receivables, net” included dividends from portfolio companies related to financial year 2009, of Lei 3,501,711 and related to financial years 2005 – 2007, of Lei 567,525 (31 December 2009: Lei 19,125).

“Interest receivable” included interest receivables related to bank deposits.

As at 31 December 2010, “Other receivables” included penalties for late payment of dividends payable by portfolio companies related to financial year 2005 and recovery of related litigation expenses, of Lei 811,131.

**5. STATEMENT OF RECEIVABLES AND PAYABLES** (cont'd.)

Payables	31 December 2009	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Trade payables	108,140	108,140	—	—
Dividends payable	1,638,121	1,638,121	—	—
Personnel related payables	265,143	265,143	—	—
Taxes on salaries and incentives	2,086,434	2,086,434		
Sundry creditors	38,464	38,464	—	—
Income tax	3,241,334	3,241,334	—	—
<b>TOTAL</b>	<b>7,377,636</b>	<b>7,377,636</b>	<b>—</b>	<b>—</b>

Payables	31 December 2010	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Trade payables	7,442,803	7,442,803	—	—
Accrued expenses	18,086,255	18,086,255		
Dividends payable	24,821,842	24,821,842	—	—
Other taxes and fees payables	9,127,933	9,127,933		
Payables to shareholders related to share capital	9,730,381	9,730,381		
Personnel related payables	44,739	44,739	—	—
Taxes on salaries and incentives	26,943	26,943		
Sundry creditors	6,499	6,499	—	—
<b>TOTAL</b>	<b>69,287,395</b>	<b>69,287,395</b>	<b>—</b>	<b>—</b>

“Trade payables” as at 31 December 2010 included the success fee payable to Fondul’s advisor for the selection of the fund manager, of Lei 7,401,999.

As at 31 December 2010, “Accrued expenses” included investment management and administration fees payable to Fund Manager, in amount of Lei 17,954,157.

“Payables to shareholders related to share capital”, as at 31 December 2010, represented amounts transferred by the significant shareholder of the Fund (the Romanian State, represented by the Ministry of Public Finance) in cash and in kind, but not yet converted to share capital. Out of the amount of Lei 9,730,381, Lei 9,395,641 represented contribution in cash, amounts from partial recovery of receivables from World Trade Center Bucuresti SA by the Fund and Lei 334,740 contribution in kind, represented by shares in portfolio companies received free of charge according to GEO 81/2007.

**6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES****a. Preparation and presentation of the financial statements**

These financial statements are the responsibility of the management of the Fund and have been prepared in accordance with the Accounting Regulations compliant with EEC Directive IV, applicable to the entities authorised, regulated and monitored by the National Securities Commission (“CNVM”), approved by Order of the Chairman of the National Securities Commission no. 75/2005 (Order 75/2005). The accounting regulations compliant with EEC Directive IV, approved by Order 75/2005 (as revised by CNVM Order 11/2009) are applicable together with the Accounting Law no. 82/1991 (as revised).

**6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES** (cont'd.)**a. Preparation and presentation of the financial statements** (cont'd.)

The financial statements have been prepared on a historical cost basis. The order of the National Securities Commission no. 75/2005 regarding the approval of the “Accounting Regulations conformant with EEC Directive IV applicable to the entities authorised, regulated and monitored by the National Securities Commission” provides for the preparation of the financial statements at historical cost.

The values of tangible and intangible assets have been adjusted for depreciation, and amortisation respectively, according to the Romanian Accounting Standards. The value of the financial assets has been reduced by the adjustments for the impairment.

The Fund is required to prepare consolidated financial statements in compliance with International Financial Reporting Standards as endorsed by European Union (“IFRS”). Fondul Proprietatea Group, comprising Fondul Proprietatea S.A. and its subsidiaries (“the Group”) will prepare a set of consolidated financial statements, in accordance with IFRS, for the year ended 31 December 2010, and these will be published in accordance with the requirements of the legislation in force.

The Fund computes and reports monthly to CNVM the net asset value according to CNVM Regulation no. 4/2010, modified by the Disposal of Measures no. 17/25.11.2010. The net asset value as at 31 December 2010 was Lei 15,328,167,848.58.

**b. Basis of preparation of the financial statements**

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

These financial statements have not been prepared to reflect the financial position and the results of operations in accordance with the International Financial Reporting Standards.

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

- Going concern principle—assumes that the Fund will continue to operate normally in a predictable future without facing the impossibility of continuing as a going concern or without a significant reduction in its activity;
- Consistency principle—involves the application of the same rules regarding the evaluation and recording in the account of the transactions, ensuring the comparability in time of the financial information;
- Prudence principle—assumes all the impairment adjustments for assets, as well as all the liabilities and potential losses incurred during the current or previous financial years are recorded;
- Accrual principle—assumes that all the income and expenses pertaining to the financial year are recorded, irrespective of the date of receipt or payment of these income and expenses;
- Separate valuation of assets and liabilities—assumes that assets and liabilities are valued separately;
- Opening balances principle—the opening balances of each financial year are identical with the closing balances of the previous financial year.
- Non off-setting principle—assumes that assets can not be offset with liabilities, and income can not be offset with expenses, except for the offsettings allowed by Order 75/2005.

**6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES** (cont'd.)**b. Basis of preparation of the financial statements** (cont'd.)

- Substance over form—assumes that the information presented in the financial statements reflects the economic reality of the events and transactions and not only their legal form.
- Materiality principle —assumes that any element that has a significant value is presented distinctly in the financial statements.

**c. Use of estimates**

The preparation of financial statements in accordance with Order 75/2005, with subsequent amendments, requires management to make estimates and assumptions that affect the reported value of assets and liabilities, disclosure of contingent assets and contingent liabilities at balance sheet date, and income and expenses reported to the respective financial year. Although the estimates and assumptions are made by management using the most reliable information available at balance sheet date, the actual results may differ from these estimates.

**d. Going concern**

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

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

**e. Foreign currency transactions***(i) Functional and presentation currency*

The functional and presentation currency of the financial statements is the local currency (Leu).

*(ii) Translation of the transactions in foreign currency*

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

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

	31 December 2009	31 December 2010
1 Dollar (USD)	2.9361 Lei	3.2045 Lei
1 Euro (Euro)	4.2282 Lei	4.2848 Lei

**f. Intangible assets**

The intangible assets are presented in the balance sheet at acquisition cost less the accumulated amortisation and impairment. The intangible assets are amortized on a straight line basis throughout the estimated useful life of the intangible asset. The intangible assets held by the Fund represent computer software. These are amortised for a period no longer than 3 years.



**6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES** (cont'd.)**g. Tangible assets**

Tangible assets are presented in the balance sheet at cost less the accumulated depreciation and impairment.

Depreciation is calculated using the straight line method throughout the estimated service life of the assets, as follows:

Asset	Years
Buildings (head office lease improvements)	3
Technical equipment (computers and printers)	3
Vehicles	5
Furniture and office equipment	10

Maintenance and repairs expenses related to the tangible assets are recorded in the income statement as incurred and any significant improvements made to the tangible assets that extend their service life or that significantly increase their capacity of generating economic benefits are capitalized.

**h. Financial assets***(i) Classification*

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

As at 31 December 2009 all the financial assets were classified as other investments held as financial assets.

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

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

*(ii) Recognition*

The Fund recognises the financial assets as at the date when they have been transferred to the Fund and are recorded at acquisition cost or at the value determined based on the transfer documents.

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

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

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

**6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES** (cont'd.)**h. Financial assets** (cont'd.)

The cost (initial value) of financial assets which are contributed in kind by the Romanian State to the Fund's share capital is determined in accordance with the provisions of Law 247/2005, as amended by GEO 81/2007, as follows:

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

*(iii) Measurement*

Financial assets are initially recognised at acquisition cost.

Subsequent to the initial recognition, according to the provisions of Order 75/2005, with subsequent amendments, financial assets are carried in the balance sheet at historical cost, less accumulated adjustment for impairment.

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

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

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

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

All equity investments of the Fund are classified as non-current financial assets.

**6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES** (cont'd.)**h. Financial assets** (cont'd.)*(iv) Derecognition*

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

The derecognition of the financial assets sold is made upon the date of the transfer of ownership.

**i. Adjustment for the impairment of financial assets**

The carrying value of the Fund's assets is reviewed at each balance sheet date to determine whether there are indications of impairment. If such indicators exist, the recoverable value of the Fund's assets is estimated. An adjustment for impairment is recorded if the carrying value of the asset exceeds its recoverable value. The adjustment for impairment was recognised in year 2007 in the income statement, and in years 2008, 2009 and 2010 in the account 1062 – "Reserves related to impairment adjustments of financial assets" taking into account the amendments to Order 75/2005 (by CNVM Order 11/2009).

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

- to income, in the event where the adjustment was initially recognised through profit and loss;
- by changing the reserve account–1062, in the event where they were initially recognised directly in this account.

**j. Cash and cash equivalents**

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

**k. Provisions**

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

**l. Employees' benefits**

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

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

**m. Taxation**

The Fund records the current income tax liabilities based on the taxable income in the tax reporting, according to the relevant Romanian laws. The income tax rate for the year 2010 is 16% (2009: 16%).

**6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES** (cont'd.)**n. Income recognition***(i) Income from investments*

Dividend income is recognised in the financial year when the General Shareholders Meeting of the company in which the Fund holds the investments decides to distribute dividends using its profit, the reserves made from the profit, this being the date when the Fund has the right to receive dividends.

*(ii) Interest income*

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

*(iii) Income from sale of securities*

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

**o. Shares free of charge**

The shares received free of charge from the companies in the portfolio, further to the application of the provisions of Law 247/2005 (title VII, article 9 paragraph (6)), as revised by GEO 81/2007 are recognised at nominal value. The cost of these free shares was partially used to cover the share capital subscribed and still unpaid by the Romanian State.

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

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

**p. Value added tax**

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

**7. FINANCING SOURCES****Shares**

As at 31 December 2010, the share capital subscribed and fully paid is Lei 13,778,392,208 representing 13,778,392,208 shares with a nominal value of 1 Leu/share.

The shareholding structure as at 31 December 2010 is the following:

No.	Category of shareholder	Number of shareholders	Number of shares held	% of the share capital
1	Ministry of Public Finance	1	5,357,581,696	38.8839%
2	Legal entities (under 1%)	170	1,300,352,402	9.4376%
3	Legal entities (over 1%)	5	1,384,810,932	10.0506%
	<b>Subtotal–Legal entities</b>	<b>176</b>	<b>8,042,745,030</b>	<b>58.3723%</b>
4	Individuals (under 1%)	5,193	4,640,537,165	33.6798%
5	Individuals (over 1%)	3	1,095,110,013	7.9480%
6	<b>Subtotal–Individuals</b>	<b>5,196</b>	<b>5,735,647,178</b>	<b>41.6278%</b>
	<b>TOTAL</b>	<b>5,372</b>	<b>13,778,392,208</b>	<b>100.0000%</b>

**7. FINANCING SOURCES** (cont'd.)

The shares grant shareholders different voting rights, depending on the holder and the percentage held, as provided GEO 81/2007, Article 12.

As at 31 December 2009, the amount of the subscribed and not paid-up capital had a value of Lei 497,419,500 related to a number of shares not paid held by the significant shareholder—the Romanian State represented by the Ministry of Public Finance.

In August 2010, according to Law 142/2010, the shares representing capital subscribed and unpaid as at that date (482,948,088 shares, at a nominal value of 1 Leu/share) were cancelled.

During 2010 the Ministry of Public Finance made contributions to share capital of Lei 35,271,033 (corresponding to 35,271,033 shares), out of which Lei 14,471,410 before the cancellation of the shares mentioned above and the remaining Lei 20,799,623 afterwards, representing a share capital increase performed after the cancellation.

Sources of contribution to the sum of Lei 35,271,033 representing the capital subscribed and paid during 2010 are as follows:

Capital subscribed and paid during 2010	Amount
<b>Amounts received from Romanian State related to recovery of State's receivables from:</b>	<b>33,239,453</b>
– Mozambique	421,311
– Albania	1,704,660
– Iraq	12,502,210
– Egypt	1,112,069
– Syria	17,184,269
– Mongolia	314,934
<b>Amounts resulted from partial recovery of receivables from World Trade Center Bucuresti SA by the Fund</b>	<b>327,140</b>
<b>Amounts representing the value of shares received free of charge in portfolio companies according to GEO 81/2007, out of which</b>	<b>1,704,440</b>
– Poșta Română SA	279,500
– Hidroelectrica SA	1,424,940
<b>TOTAL</b>	<b>35,271,033</b>

In 2010, through GEO 91/2010 regarding the allocation of amounts from the recovery of Romania's foreign currency rights, the Government decided not to transfer additional amounts to Fondul Proprietatea, resulting from the foreign trade and economic cooperation carried out by Romania before 31 December 1989 and from recovery of rights resulting from commercial and governmental payment agreements and the related technical banking arrangements.

**8. INFORMATION REGARDING THE EMPLOYEES, ADMINISTRATORS AND MANAGEMENT****Salaries and incentives of the management, administrators, Board of Nominee members and employees**

	2009	2010
<b>Gross salaries:</b>		
Members of the Supervisory Board	3,168,031	706,162
Members of the Directorate	5,468,040	967,355
Members of the Selection Commission	650,690	94,000
Members of the Board of Nominee	—	137,045
Employees	1,406,261	1,297,981
<b>Gross salaries and incentives expense</b>	<b>10,693,022</b>	<b>3,202,543</b>

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

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

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

On 29 September 2010, the Fund terminated the contracts with the members of the Supervisory Board, the members of the Directorate and most of the employees. The 2010 gross salary costs for employees and Directorate presented above include compensation payments for contract termination, according to labour contracts.

As at 31 December 2010 the Fund had 3 employees, of whom 2 were in child care leave. The average number of employees of the Fund in 2010 was 12.

The amounts representing the gross salaries granted to the members of the Supervisory Board included both the salaries for Supervisory Board duties and also their remuneration for the Advisory Committees of the Fund.

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

The amounts representing gross salaries granted to the members of the Directorate were granted only for their capacity as members of the Board.

The incentives granted to the Selection Commission of the Fund took the form of salaries. The mandate of the Selection Commission started in April 2008 and finished when the Fund Manager started its mandate in September 2010. The Commission comprised 5 members (including the Chairman of the Commission).

## 9. COMPUTATION AND ANALYSIS OF THE MAIN FINANCIAL RATIOS

### 1. Liquidity ratios

	31 December 2009	31 December 2010
<b>a) Current liquidity ratio</b> (number of times)		
$\frac{\text{Current assets}}{\text{Current liabilities}} =$	361.47	19.23
<b>b) Quick liquidity ratio/acid test</b> (number of times)		
$\frac{\text{Current assets} - \text{inventories}}{\text{Current liabilities}} =$	361.47	19.23

The significant decrease of liquidity ratios as compared to the previous year was mainly related to the distribution in 2010 of the dividends related to the financial years 2008 and 2009.

### 2. Risk ratios

Not applicable. As at 31 December 2010, the Fund had no borrowings.

### 3. Activity ratios (management ratios)

	31 December 2009	31 December 2010
<b>a) Turnover of debts–clients</b> (number of days)		
$\frac{\text{Average balance of clients} \times 365}{\text{Turnover}} =$	Not applicable	Not applicable
<b>b) Turnover of credit–suppliers</b> (number of days)		
$\frac{\text{Average balance of suppliers} \times 365}{\text{Acquisition of goods and services}} =$	41	139
<b>c) Turnover of tangible assets</b> (number of times)		
$\frac{\text{Gross turnover}}{\text{Tangible assets}} =$	0.138	0.053
<b>d) Turnover of total assets</b> (number of times)		
$\frac{\text{Gross turnover}}{\text{Total assets}} =$	0.108	0.047

### 4. Profitability ratios

	31 December 2009	31 December 2010
<b>a) Profitability of capital employed (%)</b>		
Profit before interest and income tax/Capital employed*)	6.84%	3.85%

\*) Capital employed includes Shareholders' equity

Profitability ratio in 2009 was significantly influenced by the gain on disposal of financial assets (mainly companies from the CEZ Group).

## 10. OTHER INFORMATION

### a) Information regarding the presentation of the Fund

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. During the reporting period, the address of the Fund’s registered office was 17, Apolodor Street, Sector 5, Bucharest. On 29 September 2010, the Fund moved its headquarters and registered office to 78–80, Buzzești Street, 7th Floor, District 1, Bucharest. During 2010 the Fund was a state controlled entity.

The Fund undertakes its activities in accordance with Law 247/2005 regarding the reform in property and justice, as well as certain adjacent measure, 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 performing financial investments (Code CAEN 6430–mutual funds and other similar financial entities). The Fund undertakes other additional and related activities, according to the regulations in force.

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

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

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

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

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

### c) Information regarding the current income tax

	2009	2010
Gross profit	834,192,516	467,387,424
Tax deduction related to the allocation of profit to the legal reserve	(34,249,437)	(3,645,883)
Expenses with provisions and impairment adjustments – Non deductible	375,822	131,941
Income from provisions and impairment adjustments – Non taxable	(31,566,178)	(217,362,939)
Income from dividends – Non taxable	(118,165,267)	(179,049,051)
Other non deductible expenses	151,849	1,990,001
<b>Taxable profit for the current year</b>	<b>650,739,305</b>	<b>69,451,493</b>
Current income tax	(104,118,289)	(11,112,239)
– deductions for sponsorship expenses	64,097	47,507
– tax losses carried forward	—	(138,871)
<b>Income tax due</b>	<b>(104,054,192)</b>	<b>(11,203,603)</b>
Income tax declared for the current year and paid	(100,812,858)	(12,138,473)
Income tax receivable/(liability)	(3,241,334)	934,870



**10. OTHER INFORMATION** (cont'd.)**d) Turnover**

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

**e) Auditors' fees**

The financial auditor of Fondul Proprietatea for the year 2010 is Deloitte Audit SRL. The audit fee for the audit of the financial statements prepared in accordance with Romanian Accounting Standards of the year 2010 (statutory audit) is Euro 20,000 (RON 85,696, considering the official exchange rate published by NBR for 31 December 2010) (excluding VAT) and will be recorded in accounting in the period when the services are provided (in year 2011).

**11. PORTFOLIO COMPONENTS**

Name of the company	% of the share capital held as at 31 December 2010	Cost as at 31 December 2010	Market value as at 31 December 2010
<b>Listed companies</b>			
Alcom SA	71.89%	471,052	490,343
Alro SA	9.92%	168,858,817	211,868,727
Azomures SA	7.69%	10,652,373	19,420,592
BRD-Groupe Societe Generale	0.56%	47,335,500	48,473,750
Comcereal Cluj SA	11.36%	913,756	1,163,433
Comcereal Fundulea SA	5.35%	170,530	158,922
Comcereal Miercurea Ciuc SA	10.03%	64,817	220,306
Conpet SA	20.05%	40,829,884	52,092,600
Delfincom SA	65.50%	6,225,070	9,284,210
Forsev SA	28.14%	3,780,366	6,982,119
IOR SA	2.81%	348,756	1,625,809
Mecanoenergetica SA	10.07%	256,275	236,662
Mecon SA	12.51%	484,544	840,756
Oil Terminal SA	10.00%	15,451,875	12,871,709
Palace SA	15.42%	1,860,419	4,082,737
OMV Petrom SA	20.10%	5,714,197,261	3,816,028,612
Prestari Servicii SA	70.55%	1,035,338	73,422
Primcom SA	78.97%	20,489,158	27,586,193
Resib SA	2.87%	126,217	—
Romaero SA	20.99%	58,533,949	18,232,505
Romplumb SA	51.00%	19,249,219	6,996,196
Severnav SA	39.10%	14,014,409	7,117,353
Telerom Proiect SA	68.63%	236,083	1,125,350
Transelectrica SA	13.49%	262,614,413	191,472,352
Transgaz SA	14.98%	177,353,514	494,093,600
Transilvania Com SA	39.99%	177,010	1,232,346
Turdapan SA	44.06%	240,000	389,637
Vitacom SA	46.91%	148,075	116,147
<b>Subtotal – Listed companies</b>		<b>6,566,118,680</b>	<b>4,934,276,388</b>

**11. PORTFOLIO COMPONENTS** (cont'd.)

Name of the company	% of the share capital held as at 31 December 2010	Cost as at 31 December 2010	Market value as at 31 December 2010
<b>Unlisted companies</b>			
CN Administratia Porturilor Maritime SA	19.99%	52,621,414	60,391,830
CN Administratia Canalelor Navigabile SA	20.00%	15,194,209	15,722,857
CN Administratia Porturilor Dunarii Fluviale SA	20.00%	675,810	3,759,054
CN Administratia Porturilor Dunarii Maritime SA	20.00%	1,351,671	1,688,172
CN Aeroporturi Bucuresti SA	20.00%	131,168,263	322,411,347
Aeroportul International Mihail Kogalniceanu SA	20.00%	1,490,898	2,496,934
Aeroportul International Timisoara – Traian Vuia SA	20.00%	2,652,588	4,938,654
Bat Service SA	33.00%	656,686	—
Carbid Fox SA	7.96%	927,357	—
Carom – Broker Asigurare SA	70.00%	1,161,986	1,102,036
Cetatea SA	20.43%	118,840	424,511
Ciocirlia SA	1.68%	37,125	589,117
Commetex SA	15.99%	193,500	215,194
Complexul Energetic Craiova SA	24.35%	250,169,153	267,318,059
Complexul Energetic Rovinari SA	23.60%	137,615,732	251,297,303
Complexul Energetic Turceni SA	24.78%	282,299,927	530,120,091
Comsig SA	69.94%	132,633	155,441
GDF Suez Energy SA	12.00%	59,982,622	302,608,652
E.ON Gaz Distributie SA	11.99%	37,470,244	107,998,561
E.ON Energie Romania SA	13.39%	45,765,358	130,521,514
E.ON Moldova Distributie SA	22.00%	131,073,011	162,531,058
Electrica Distributie Muntenia Nord SA	21.99%	165,221,141	232,234,140
Electrica Furnizare Muntenia Nord SA	22.00%	6,412,890	—
Enel Distributie Muntenia SA	12.00%	107,277,263	324,624,581
Electrica Distributie Transilvania Nord SA	22.00%	113,299,904	168,976,532
Electrica Furnizare Transilvania Nord SA	22.00%	5,178,405	—
Electrica Distributie Transilvania Sud SA	21.99%	125,918,629	180,921,289
Electrica Furnizare Transilvania Sud SA	22.00%	6,228,377	—
Electroconstructia Elco Cluj SA	7.61%	319,656	537,851
Electromecanica Ploiesti SA	49.00%	21,436,245	—
ENEL Distributie Banat SA	24.12%	141,578,929	278,064,195
ENEL Distributie Dobrogea SA	24.09%	114,760,053	194,345,541
ENEL Energie SA	12.00%	26,124,808	23,613,408
Enel Energie Muntenia SA	12.00%	2,833,769	37,031,883
Familial Restaurant SA	2.75%	2,454	2,967
FECNE SA	12.12%	—	—

**11. PORTFOLIO COMPONENTS** (cont'd.)

Name of the company	% of the share capital held as at 31 December 2010	Cost as at 31 December 2010	Market value as at 31 December 2010
<b>Unlisted companies</b> (cont'd)			
Gerovital Cosmetics SA	9.76%	340,996	—
Hidroelectrica SA	19.94%	3,099,587,796	3,286,991,248
Laromet SA	4.20%	1,547,497	6,350,788
Marlin SA	4.95%	34,014	34,918
Nuclearelectrica SA	9.72%	967,926,936	705,586,957
Petrotel – Lukoil SA	2.18%	2,787,316	—
Plafar SA	48.99%	3,160,329	—
Posta Romana SA	25.00%	84,664,380	169,491,118
Celuloza si Otel SA	8.62%	230,675	462,609
Retizoh SA	7.37%	64,560	—
Romgaz SA	14.99%	416,301,444	1,245,683,035
Societatea Nationala a Sarii SA	48.99%	76,347,715	78,511,303
Salubriserv SA	17.48%	207,601	7,461,665
Simtex SA	30.00%	3,059,858	—
Uzina Mecanica Bucuresti SA	36.59%	20,024,890	—
World Trade Center Bucuresti SA	19.90%	42,459	—
Zamur Targu Mures SA	7.18%	319,724	3,065,119
Zirom SA	100.00%	36,030,702	34,715,798
World Trade Hotel SA	19.90%	17,912	17,599
<b>Subtotal – Unlisted companies</b>		<b>6,702,048,354</b>	<b>9,145,014,929</b>
<b>Total</b>		<b>13,268,167,034</b>	<b>14,079,291,317</b>

The market value for financial assets is the fair value used for the computation of NAV as at 31 December 2010. They are determined according to regulations currently applying to Fondul Proprietatea (CNVM Regulation no. 4/2010, modified by Disposal of Measures no. 17/25.11.2010), as follows:

- for listed shares traded in the last 30 days: last closing price in 2010;
- for unlisted shares or listed shares not traded in the last 30 days: either shareholders' equity value per latest financial statements (proportionally with the stake held) or by using valuation methods in accordance with International Valuation Standards (fair value principles);
- any holding going through an insolvency or liquidation procedure is valued at zero until the procedure is finalized.

## 12. CASH AND BANK ACCOUNTS

	31 December 2009	31 December 2010
Deposits with banks in Lei	963,678,536	1,064,765,526
Deposits with banks in foreign currency	1,186,055,130	—
<b>Subtotal deposits</b>	<b>2,149,733,666</b>	<b>1,064,765,526</b>
Current accounts with banks in Lei	687,142	66,640
Current accounts with banks in Lei – payment of dividends	773,403	7,124,982
Current accounts with banks in foreign currency	21,076	15,830
Cash in hand	1,641	413
<b>Subtotal current accounts and cash</b>	<b>1,483,262</b>	<b>7,207,865</b>
<b>Total</b>	<b>2,151,216,928</b>	<b>1,071,973,391</b>

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

Bank	31 December 2009	31 December 2010
Banca Comerciala Romana (BCR)	390,536,000	288,003,438
BRD – Groupe Societe Generale (BRD)	251,442,312	213,229,352
Unicredit Ţiriac Bank	89,832,337	184,000,000
Marfin Bank	—	163,178,499
Raiffeisen Bank	246,292,650	118,308,000
Bancpost	208,273,094	98,046,237
CEC Bank	198,166,009	—
Banca Românească	175,550,110	—
Alpha Bank	105,059,244	—
Millennium Bank	52,563,300	—
Piraeus Bank	210,850,874	—
Volksbank	191,472,495	—
MKB Romexterra Bank	29,695,241	—
<b>TOTAL</b>	<b>2,149,733,666</b>	<b>1,064,765,526</b>

Included in “Deposits with banks” as at 31 December 2010 is an amount of Lei 378,486,499 (31 December 2009: Lei 1,308,649,962) representing deposits whose original maturities are more than 3 months and therefore are not included in cash and cash equivalents presented in Cash Flow Statement.

## 13. SHORT TERM FINANCIAL INVESTMENTS

The short term financial investments comprise treasury bills with discount, with residual maturity up to 6 months as at the year end, and with face value at maturity of Lei 252,090,000.

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

Treasury bills	31 December 2009	31 December 2010
Acquisition cost of treasury bills	—	246,272, 509
Accrued interest receivable for treasury bills	—	1,748,967
<b>TOTAL</b>	<b>—</b>	<b>248,021,476</b>

#### 14. RELATED PARTIES TRANSACTIONS

The transactions with the related parties have been performed in the normal course of business of the Fund. Thus, in this category of transactions are included the dividends income and dividend receivables, as well as other income and other receivables (related to penalties for late payment of dividends for year 2005 and recharge of related litigation expenses), received/to be received by Fondul Proprietatea from the companies in which Fondul Proprietatea and/or Fondul Proprietatea together with the Romanian State by various institutions involved hold more than 25% of the voting rights.

The dividend income breakdown by companies is disclosed in Note 15.

##### Other income

Company	2009	2010
CN Aeroportul International Henri Coanda Bucuresti SA*	—	274,949
Complexul Energetic Rovinari SA	—	102,670
Transelectrica SA	—	433,512
<b>TOTAL</b>		<b>811,131</b>

##### Dividend receivables, net of provisions

Company	31 December 2009	31 December 2010
Hidroelectrica SA	—	3,501,711
Complexul Energetic Rovinari SA (dividends 2005)	—	567,525
<b>TOTAL</b>	<b>—</b>	<b>4,069,236</b>

##### Other receivables

Company	31 December 2009	31 December 2010
CN Aeroportul International Henri Coanda Bucuresti SA*	—	274,949
Complexul Energetic Rovinari SA	—	102,670
Transelectrica SA	—	433,512
<b>TOTAL</b>	<b>—</b>	<b>811,131</b>

\*During 2010 Aeroportul International Henri Coanda Bucuresti S.A. and Aeroportul International Bucuresti Baneasa – Aurel Vlaicu S.A. merged with a view to incorporate Aeroporturi Bucuresti S.A.

During 2010, the Fund recorded the following expenses payable to the Franklin Templeton Investment Management, Bucharest Branch, the Fund Manager of the Fund: investment management and administration fees Lei 18,305,781, rent expenses Lei 23,953 and related operating costs Lei 5,014 (2009: Nil).

As at 31 December 2010, the liability to Fund Manager related to above mentioned transactions was in amount of Lei 17,963,827 (31 December 2009: Nil).

## 15. DIVIDEND INCOME

Company	2009	2010
<b>Dividend income – related parties</b>		
Romgaz SA	40,912,918	87,829,620
E.ON Gaz Romania SA**	—	24,651,074
Transgaz SA	18,475,571	22,975,350
E.ON Gaz Distributie SA	—	11,416,966
Hidroelectrica SA	—	6,501,711
CN Aeroportul International Henri Coanda Bucuresti SA*	10,127,189	5,869,425
Conpet SA	7,116,275	3,810,281
Primcom SA	1,524,281	1,731,351
SN Aeroportul International Bucuresti Baneasa – Aurel Vlaicu SA*	—	714,645
Transelectrica SA	2,968,564	494,761
Complexul Energetic Turceni	2,331,100	—
Electrica Furnizare Transilvania Sud	895,721	—
Aeroportul International Timisoara – Traian Vuia SA	474,502	353,329
Complexul Energetic Craiova SA	464,389	114,721
CN Administratia Porturilor Dunarii Fluviale SA	463,384	368,363
Societatea Nationala a Sarii SA	269,771	—
CN Administratia Canalelor Navigabile SA	216,938	244,827
Complexul Energetic Rovinari SA	3,752	124,947
Carom–Broker Asigurare SA	183,070	27,636
Oil Terminal SA	54,147	37,391
CN Administratia Porturilor Dunarii Maritime SA	1,360	18,210
IOR SA	1,344	186
GDF Suez Energy SA	14,496,020	—
Electrica Furnizare Transilvania Nord	62,375	—
Alcom SA	12,237	—
CN Posta Romana SA	4,099	—
Complexul Energetic Rovinari SA (dividends 2005)	—	567,525
	<b>101,059,007</b>	<b>167,852,319</b>
<b>Dividend income – other companies</b>		
Alro SA	17,004,361	11,166,668
Ciocirlia SA	—	24,433
Retizoh SA	—	4,443
Commetex SA	1,810	1,188
Mecon SA	100,089	—
	<b>17,106,260</b>	<b>11,196,732</b>
<b>TOTAL</b>	<b>118,165,267</b>	<b>179,049,051</b>

\*During 2010 Aeroportul International Henri Coanda Bucuresti S.A. and Aeroportul International Bucuresti Baneasa – Aurel Vlaicu S.A. merged with a view to incorporate Aeroporturi Bucuresti S.A.

\*\*During 2010, E.ON Gaz Romania S.A. and E.ON Moldova Furnizare S.A. merged by absorption, E.ON Gaz Romania S.A. absorbing E.ON Moldova Furnizare S.A. and changing its name in E.ON Energie Romania S.A.

## 16. FINANCIAL RISK MANAGEMENT

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

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

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

### i) Market risk

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

#### *Foreign currency risk*

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

As at 31 December 2010, the balances in foreign currency were not significant. Cash and bank accounts denominated in foreign currency were insignificant (Euro 3,295, USD 281 and GBP 163), while liabilities in foreign currency (payables to services providers) amounted to Euro 1,727,502 (RON 7,401,999 equivalent).

The Fund considers that its functional currency is the national currency (Leu).

#### *Interest rate risk*

The majority of the financial assets of the Fund are not interest bearing. The interest bearing financial assets (deposits and treasury bills) have short term maturity, deposits up to 4 months and treasury bills up to 6 months. As a result, the Fund has a limited exposure to variations in interest rates.

#### *Price risk*

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

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

### ii) Credit risk

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

Regarding the treasury bills held, the credit risk is low to moderate, given that their issuer is the Romanian State through the Ministry of Public Finances.

**16. FINANCIAL RISK MANAGEMENT** (cont'd.)**ii) Credit risk** (cont'd)

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

**iii) Liquidity risk**

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

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

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

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

**iv) Operational risks**

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

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

**v) Operating environment**

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

The ongoing global credit and liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, lower level and difficult access to the capital market funding and lower liquidity levels across the Romanian banking sector.

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



## 17. CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2010 the Fund was involved in certain litigations, either as defendant or claimant. According with the requirements of the IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” the Fund disclosed in the financial statements only those which may have significant effect on the Fund’s financial position or profitability. The most important litigations were the following:

1. The Fund is involved in several litigations regarding delay penalties requested from companies which have not 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 the year 2010 the most common practice of the Romanian courts was to accept 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 will be recognised as revenues when their collectability becomes highly probable.

2. The amounts to be received from the privatization of BCR S.A. to a strategic investor:

In December 2006, the Fund received a cash contribution of Euro 88,394,758 (Lei 301,788,543) representing 4% of the amount paid by Erste Bank Austria to the Romanian State in respect of the privatisation of Banca Comerciala Romana S.A. (BCR S.A.). In accordance with the statement of the legislative text, the Fund was entitled to receive as a cash contribution “the amounts received from the sale to the strategic investor of 4% of BCR S.A.’s shares”. The Fund interpreted this provision of “4% of the share capital of BCR S.A.”, to represent Euro 242,495,438 (Lei 1,025,319,211 equivalent; i.e. 4% of BCR’s total share capital to which the price paid by Erste Bank Oesterreichischen Sparkassen AG of 7.65 Euro/share is applied)

In order to recover the respective amount, on 1 October 2008, the Fund has filed a court action to the Bucharest Court having as defendants the Ministry of Public Finance and the Authority for State Assets Recovery (“AVAS”). The Bucharest County Court rejected the above action, the litigation being closed unfavourably for the Fund.

In January 2011, Fondul Proprietatea decided not to continue with an appeal the litigation related to amounts claimed by the Fund from the privatization of BCR S.A.

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

Section II, Article 4 of GEO 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. 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 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, Euro 148,700.76, Lei 8,724,887.92. In accordance with GEO 81/2007, these cash receipts reduced the balance of the receivables in respect of equity contributions.

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

**17. CONTINGENT ASSETS AND LIABILITIES** (cont'd.)

4. As at 31 December 2010 the Fund is in dispute with Romarm S.A. which did not transfer certain stakes in Uzina Mecanica Bucuresti S.A. and Electromecanica SA Ploiesti (both subsidiaries of Romarm S.A.), in accordance with Government Emergency Ordinance 81/2007. 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 of 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 "Depozitarul Central" or by registry companies, the update of the records is done by "Depozitarul Central" 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 Ploiesti S.A. (point 2.23) and a total of 2,951,053 shares of Uzina Mecanica Bucuresti S.A. (point 2.24).

Electromecanica and Uzina Mecanica Bucuresti are subsidiaries of Romarm, a company owned 100% by AVAS at the effective date of the Ordinance 81/2007 and by the Ministry of Economy currently. Considering the fact that the text of the Ordinance mentioned that these stakes transfer 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.

At present, the Fund has two legal actions at the Bucharest Court of Appeal and at the Supreme Court of Justice regarding these litigations.

As at 31 December 2010 and 31 December 2009, the Fund recorded an impairment loss on the full value of the holdings in the two companies, due to the fact that the registration of ownership is still in dispute.

5. There are currently two court litigations involving 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 hearings are suspended until the Constitutional Court will decide on the constitutionality of the law regarding the cancellation of the transfer of 20,077,653 shares from the Ministry portfolio to the Fund portfolio.

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 social capital was increased by the amount of Lei 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 February 25th, 2010, the Bucharest County Court rejected the claim filed by the Fund stating that the Resolution of Nuclearelectrica Shareholders' Extraordinary General Assembly dated September 26th, 2009 was made in full compliance with the provisions of Law no. 297/2006, which is derogatory from the common provisions of the Companies Law. 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.

**17. CONTINGENT ASSETS AND LIABILITIES** (cont'd.)

In the second file, on 10 May 2010, the Fund filed an appeal against the above decision of the Bucharest County Court. The litigation is currently in process.

On 31 December 2010 and 31 December 2009, the Fund owned 9.72% of the share capital of the Nuclearelectrica, as recorded at the Trade Register Office.

6. There are some legal actions involving the Fund acting against the Electra and Hidroenergetica merger plans:

On 17 November 2010, the Fund has lodged with the Dolj Tribunal a motion for preliminary injunction against Complexul Energetic Craiova S.A., requesting the court to suspend the implementation of the merger of Nuclearelectrica with Complexul Energetic Rovinari S.A., Complexul Energetic Turceni S.A., Complexul Energetic Craiova S.A., Societatea Nationala a Lignitului Oltenia S.A., Hidroserv S.A. Râmnicu Vâlcea and part of Hidroelectrica SA, and the deferral of the general shareholders meeting of Complexul Energetic Craiova convened to approve in substance the merger plan on 19 November 2010.

On 18 November 2010, the Dolj Tribunal ruled upon: (i) the suspension of the merger of the above mentioned companies until the merger plan is duly modified and (ii) deferral of the general shareholders meeting of Complexul Energetic Craiova S.A. convened for 19 November 2010.

After 19 November 2010 the Fund lodged with the Bucharest Court another motion for preliminary injunction against Hidroelectrica and Nuclearlectrica, requesting the court to suspend the implementation of the merger plan for creating Electra and Hidroenergetica. On 15 December 2010, the Bucharest Court ruled in favour of the suspension of the merger against Hidroelectrica. On 6 January 2011, the Bucharest Court ruled in favour of the suspension of the merger against Nuclearelectrica.

The merger and spin-off for creating Electra and Hidroenergetica is blocked at the present time.

7. Two minority shareholders of the Fund have filed claims against the Fund requesting the cancellation of certain resolutions of the General Shareholders Meeting.

During 2010, other contingencies of the Fund included the following:

- 1 The Fund shall receive the following amounts from the Romanian State:
  - a) the amount resulting from the trading on the Romanian or foreign stock exchange markets of the first 3% of Romtelecom 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 amounts resulting from collection of receivables from foreign trade and economic cooperation carried out by the Romanian State before 31 December 1989 and amounts resulting from ownership recovery resulting from commercial and governmental payment agreements and the related technical banking arrangements, after a deduction of 3% have been used to cover first the subscribed unpaid share capital by the significant shareholder.

In October 2010, the Romanian Government decided to redirect these amounts to the state budget and the Fund will no longer benefit from those receivables.

## 18. SUBSEQUENT EVENTS

Starting 25 January 2011 the 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 and having the market symbol “FP”. As at 28 February 2011 the closing share price of Fondul Proprietatea’s shares is 0.6125 Lei/share.

The listing of the Fund’s shares was not performed for capital raising purposes, but was purely a technical listing.

In January 2011, Fondul Proprietatea decided not to continue with an appeal the litigation related to amounts claimed by the Fund from the privatization of BCR S.A (please see Note 17 (2)). In light of the fact that: (i) the Fund had lost its claim in the first instance; (ii) pursuing the appeal would involve very large court costs and also legal fees; and (iii) even if the Fund eventually won the case, no value would be added to the Fund’s net assets for existing shareholders, and there was risk of significant loss in the event the case was lost; at the hearing on 12 January 2011 an application to waive the appeal was filed on behalf of the Fund.

**S.C. FONDUL PROPRIETATEA S.A.**  
**INFORMATIVE DATA**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**FORM 30**

**Informative Data**

<b>I. Data regarding the financial result</b>	<b>No Row</b>	<b>No of units 1</b>	<b>Amounts (Lei) 2</b>
Units that incurred profit	01	1	456,183,821
Units that incurred losses	02	—	—

<b>II. Data regarding the financial result</b>	<b>No Row</b>	<b>Total Col.2+3</b>	<b>Of which:</b>	
<b>A</b>	<b>B</b>	<b>1</b>	<b>For the current activity</b>	<b>For the investment activity</b>
<b>Overdue Liabilities – total (row 04 + 08 + 14 to 18 + 22), of which:</b>	<b>03</b>	<b>7,401,999</b>	<b>7,401,999</b>	<b>—</b>
<b>Overdue Suppliers – total (row 05 to 07), of which:</b>	<b>04</b>	<b>7,401,999</b>	<b>7,401,999</b>	<b>—</b>
– over 30 days	05	—	—	—
– over 90 days	06	7,401,999	7,401,999	—
– over 1 year	07	—	—	—
Overdue liabilities to the social security budget – total (row 09 to 13), of which:	<b>08</b>	—	—	—
– contributions for state social security owed by the employers, employees and other assimilated parties	09	—	—	—
– contributions for the social security and health funds	10	—	—	—
– contributions for the supplementary pension fund	11	—	—	—
– contributions for the unemployment funds	12	—	—	—
– other social debts	13	—	—	—
Overdue liabilities to the special budgets and other funds	<b>14</b>	—	—	—
Overdue liabilities to other creditors	<b>15</b>	—	—	—
Taxes to the state budget overdue after the due date	<b>16</b>	—	—	—
Taxes to the local budget overdue after the due date	<b>17</b>	—	—	—
Bank debts not reimbursed at their maturity – total (row 19 to 21), of which:	<b>18</b>	—	—	—
– overdue after 30 days	19	—	—	—
– overdue after 90 days	20	—	—	—
– overdue after 1 year	21	—	—	—
Overdue Interest payable	22	—	—	—

III. Average number of employees	No Row	31.12.2009	31.12.2010
A	B	1	2
Average number of employees	23	29	12

IV. Payments of interests and royalty	No row	Amounts
A	B	1
Gross interest income paid by Romanian juridical persons to the individuals nonresidents in EU member states, out of which:	24	—
– taxes owed to the state budget	25	—
Gross interest income paid by affiliated Romanian entities *) nonresidents in EU member states, of which:	26	—
– taxes owed to the state budget	27	—
Incomes from the royalty paid by affiliated Romanian juridical persons *) nonresidents in EU member states, of which:	28	—
– taxes owed to the state budget	29	—

V. Lunch vouchers	No row	Amounts
A	B	1
Total value of the lunch vouchers given to the employees	30	19,934

	No Row	31.12.2009	31.12.2010
A	B	1	2
<b>VI. Inovations Expenses **) – total (row 32 to 34), of which:</b>	<b>31</b>	—	—
– innovation expenses finalized at the end of the period	32	—	—
– innovation expenses that are about to be finalized during the period	33	—	—
– innovation expenses abandoned during the period	34	—	—

VII. Other information	No Row	31.12.2009	31.12.2010
A	B	1	2
Financial assets, gross values (row 36 + 42), of which:	35	13,218,818,498	13,268,167,034
Shares held at the affiliated entities, equity investments, other long term investments and bonds, in gross values (row 37 to 41), of which:	36	13,218,685,639	13,268,167,034
– listed shares	37	6,522,623,684	6,566,118,680
– unlisted shares	38	6,696,061,955	6,702,048,354
– social parts	39	—	—
– bonds	40	—	—
– shares issued by the investment collective undertakings (including the SIF-s)	41	—	—
Receivables, gross values (row 43 + 44), of which:	42	132,859	—
– Receivables in lei and expressed in lei, whose settlement is made according to the rate of one currency (from the account 267)	43	132,859	—
– receivables in currency (from the account 267)	44	—	—

VII. Other information	No Row	31.12.2009	31.12.2010
A	B	1	2
Commercial receivables, advances to suppliers and other assimilated accounts, gross values (account 4092 + 411 + 413 + 418)	45	3,130	2,690
Receivables from employees and assimilated accounts (account 425 + 4282)	46	405	—
Receivables from social security and state budget (account 431 + 437 + 4382 + 441 + 4424 + 4428 + 444 + 445 + 446 + 447 + 4482)	47	15,494	973,175
Other receivables (account 451 + 453 + 456 + 4582 + 461 + 471 + 473)	48	526,427,956	33,881,990
Interests to receive (account 5187)	49	18,091,193	6,498,199
Short term investments, in gross amounts (account 501 + 503 + 505 + 506 + 507 + from the account 508) (row 51 to 55), of which:	50	—	248,021,476
– listed shares	51	—	—
– not listed shares	52	—	—
– social parts	53	—	—
– bonds	54	—	248,021,476
– shares issued by the investment collective undertakings (including the SIF-s)	55	—	—
Other amounts to be received (account 5113 + 5114)	56	—	—
Petty cash in lei and currency (row 58 + 59), of which:	57	1,641	413
– in lei (account 5311)	58	1,635	413
– in currency (account. 5314)	59	6	—
Bank accounts, in lei and currency (row 61 + 62), of which:	60	2,151,215,287	1,071,972,978
– in lei (account 5121)	61	965,139,081	1,071,957,148
– in currency (account 5124)	62	1,186,076,206	15,830
Other bank accounts and credentials (row 64 + 65), of which:	63	—	—
– pending settlement amounts, credentials and other due amounts, in lei (account 5112 + 5125 + 5411)	64	—	—
– pending settlement amounts and credentials in currency (account 5125 + 5412)	65	—	—
Liabilities (row 67 + 70 + 73 + 76 + 79 + 82 + 83 + 86 to 90), of which:	66	7,377,635	69,287, 395
– Loans from bonds and related interest payable, gross values (account 161 + 1681) (row 68 + 69), of which:	67	—	—
– in lei	68	—	—
– in currency	69	—	—
– Short term internal bank loans and related interest payable (account 5191 + 5192 + 5197 + from the account 5198) (row 71 + 72), of which:	70	—	—
– in lei	71	—	—
– in currency	72	—	—

VII. Other information (cont'd)	No Row	31.12.2009	31.12.2010
A	B	1	2
– Short term external bank loans and related interest payable (account 5193 + 5194 + 5195 + from account 5198) (row 74 + 75), of which:	<b>73</b>	—	—
– in lei	74	—	—
– in currency	75	—	—
– Long term bank loans and related interests payable (account 1621 + 1622 + 1627 + from the account 1682) (row 77 + 78), of which:	<b>76</b>	—	—
– in lei	77	—	—
– in currency	78	—	—
– Long term external loans (account 1623 + 1624 + 1625 + from the account 1682) (row 80 + 81), of which:	<b>79</b>	—	—
– in lei	80	—	—
– in currency	81	—	—
– Credits from the state treasury (account 1626 + from the account 1682)	<b>82</b>	—	—
– Other Loans and related interest payable (account 166 + 167 + 1685 + 1686 + 1687) (row 84 + 85), of which:	<b>83</b>	—	—
– in lei and expressed in lei, whose settlement is made depending on the exchange rate of the currency	84	—	—
– in currency	85	—	—
– Commercial liabilities, advances received from the clients and other assimilated accounts, gross values (account 401 + 403 + 404 + 405 + 408 + 419)	<b>86</b>	<b>108,140</b>	<b>25,529,058</b>
– Liabilities to employees and assimilated accounts (account 421 + 423 + 424 + 426 + 427 + 4281)	<b>87</b>	<b>267,000</b>	<b>44,739</b>
– Liabilities the social security and state budget (account 431 + 437 + 4381 + 441 + 4423 + 4428 + 444 + 446 + 447 + 4481)	<b>88</b>	<b>5,325,911</b>	<b>9,154,876</b>
– Other liabilities (account 451 + 453 + 455 + 456 + 457 + 4581 + 462 + 472 + 473 + 269 + 509)	<b>89</b>	<b>1,676,584</b>	<b>34,558,722</b>
– Interests payable (account 5186)	<b>90</b>	—	—
Subscribed paid in share capital (account 1012) (row 92 to 94), of which:	<b>91</b>	<b>13,743,121,175</b>	<b>13,778,392,208</b>
– listed shares	92	—	—
– unlisted shares	93	13,743,121,175	13,778,392,208
– social parts	94	—	—
<b>VIII. Information regarding the expenses with collaborators</b>	<b>No Row</b>	<b>31.12.2009</b>	<b>31.12.2010</b>
Expenses with collaborators (account 621)	<b>95</b>	—	—



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

Prepared by

Grzegorz Maciej Konieczny  
Legal Representative

Mihaela Moleavin  
Financial Reporting Manager

**S.C. FONDUL PROPRIETATEA S.A.**  
**STATEMENTS OF NON-CURRENT ASSETS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**FORM 40**

**Statement of Non-Current Assets**

Elements of non-current assets	No of Row	Gross Values				
		Initial Balance	Increase	Decrease		Final Balance (col. 5=1+2-3)
				Total	Of which: Dismantling and scrapped	
A	B	1	2	3	4	5
<b>Intangibles Assets</b>						
Set-up and development expenses	01	—	—	—	—	—
Other assets – software	02	42,183	4,720	41,764	36,576	5,139
Advances and intangible assets in progress	03	—	—	—	—	—
<b>Total (row 01 to 03)</b>	<b>04</b>	<b>42,183</b>	<b>4,720</b>	<b>41,764</b>	<b>36,576</b>	<b>5,139</b>
<b>Tangibles Assets</b>						
Land	05	—	—	—	—	—
Constructions – office improvement	06	445,869	—	445,869	445,869	—
Machinery and equipment	07	749,135	17,707	760,234	130,687	6,608
Other equipment and furniture	08	83,048	—	83,048	61,780	—
Advances and tangible assets in progress	09	—	—	—	—	—
<b>Total (row 05 to 09)</b>	<b>10</b>	<b>1,278,052</b>	<b>17,707</b>	<b>1,289,151</b>	<b>638,336</b>	<b>6,608</b>
Investments held as financial assets	11.1	13,218,685,639	49,481,395	—	—	13,268,167,034
Non-current receivables	11.2	132,859	—	132,859	—	—
<b>Total financial assets (row 11.1 + 11.2)</b>	<b>11</b>	<b>13,218,818,498</b>	<b>49,481,395</b>	<b>132,859</b>	<b>—</b>	<b>13,268,167,034</b>
<b>Total non-current asstes (row 04 + 10 + 11)</b>	<b>12</b>	<b>13,220,138,733</b>	<b>49,503,822</b>	<b>1,463,774</b>	<b>674,912</b>	<b>13,268,178,781</b>

## Statement of Amortization and Depreciation of Non-Current Assets

Elements of non-current assets	No of Row	Initial Balance	Amortization during the year	Amortization of the assets removed from the records	Amortization at the end of the year (col. 9=6+7-8)
A	B	6	7	8	9
<b>Intangibles Assets</b>					
Set-up and development expenses	13	—	—	—	—
Other assets – software	14	31,908	4,147	30,916	5,139
<b>Total amortizations of intangible assets (row 13 + 14)</b>	<b>15</b>	<b>31,908</b>	<b>4,147</b>	<b>30,916</b>	<b>5,139</b>
<b>Tangibles Assets</b>					
Land	16	—	—	—	—
Constructions – office improvements	17	445,869	—	445,869	—
Machinery and equipment	18	320,509	99,414	413,315	6,608
Other equipment and furniture	19	15,873	4,064	19,937	—
<b>Total depreciation of tangible assets (row 16 to 19)</b>	<b>20</b>	<b>782,251</b>	<b>103,478</b>	<b>879,121</b>	<b>6,608</b>
<b>Total amortization and depreciation (row 15 + 20)</b>	<b>21</b>	<b>814,159</b>	<b>107,625</b>	<b>910,037</b>	<b>11,747</b>

## Statement of Adjustements for Impairment

Elements of non-current assets	No of Row	Initial Balance	Adjustments for impairment during the year	Reversal of adjustments for impairment	Final Balance (col. 13=10+11-12)
A	B	10	11	12	13
<b>Intangibles Assets</b>					
Set-up and development expenses	22	—	—	—	—
Other Intangible assets – software	23	—	—	—	—
Advances and intangible assets in progress	24	—	—	—	—
<b>Total (row 22 to 24)</b>	<b>25</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Tangibles Assets</b>					
Land	26	—	—	—	—
Constructions – office improvement	27	—	—	—	—
Machinery and equipment	28	—	—	—	—
Other equipment and furniture	29	—	—	—	—
Advances and tangible assets in progress	30	—	—	—	—
<b>Total (row 26 to 30)</b>	<b>31</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Financial Assets</b>	<b>32</b>	<b>3,666,680,088</b>	<b>37,604,723</b>	<b>1,326,640,708</b>	<b>2,377,644,103</b>
<b>Total impairment adjustments (row 25 + 31 + 32)</b>	<b>33</b>	<b>3,666,680,088</b>	<b>37,604,723</b>	<b>1,326,640,708</b>	<b>2,377,644,103</b>

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## Annex 2

of the Annual Report 2010

### Changes in the Constitutive Act of Fondul Proprietatea S.A. During 2010

1. Constitutive Act approved by Decision no. 1 / September 06, 2010 of the Extraordinary General Shareholders' Meeting of S.C. "FONDUL PROPRIETATEA" S.A. published in the Official Gazette of Romania Part IV no. 4112 / Sept. 29, 2010:

### Constitutive Act of the Company "Fondul Proprietatea" S.A.

#### CHAPTER I

Name of the company, legal form, headquarters and duration

##### Article 1

Name of the Company

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

##### Article 2

Legal form of the company

- (1) "Fondul Proprietatea" – S.A., hereinafter referred to as Fondul Proprietatea, is a Romanian legal person, set up as a joint-stock company.
- (2) Fondul Proprietatea is organized, operates and ceases its activity under the provisions of Law No. 247/2005 on property and justice reform, and additional measures, as further amended and completed, of Law No. 297/2004 on the capital market, as further amended and completed, and of Company Law No. 31/1990, republished, as further amended and completed.
- (3) Fondul Proprietatea is set up as an undertaking for collective investment (A.O.P.C.), of the closed-end-type, as defined by Art. 114(1) letter b) of Law No. 297/2004, as further amended and completed.

##### Article 3

Company headquarters

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

##### Article 4

Company duration

The duration of Fondul Proprietatea is unlimited.

**CHAPTER II**

## Purpose and business object of the company

**Article 5**

## Company purpose

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

**Article 6**

## Business object

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

**CHAPTER III**

## Share capital, shares

**Article 7**

## Share capital

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

**Article 8**

## Share capital increase and decrease

- (1) The extraordinary general assembly of the shareholders shall decide, under the conditions of the law, on the share capital increase and decrease of Fondul Proprietatea, in accordance with the provisions of art. 12(3) letter c) and d) of this constitutive act.
- (2) The share capital may be increased, in accordance with the provisions of the law, by:
  - (c) by issuing new shares in exchange for cash contributions;
  - (d) incorporating reserves, except for the legal reserves and of the reserves created out of the re-evaluation of the patrimony, as well as of the benefits and issuing premiums.
- (3) The share capital increase stated for in para. (2) shall be registered at the Trade Register Office, on the basis of the decision made by the General Assembly of the Shareholders of Fondul Proprietatea,
- (4) Any share capital decrease shall be performed in accordance with the provisions of the law.
- (5) The share capital may be decreased by:
  - (a) decreasing the number of shares;
  - (b) decreasing the nominal value of shares; and
  - (c) other means provided by the law.

- (6) In case the Fund Manager notices that, due to accrued losses, the amount of the net assets, established as the difference between the total assets and total liabilities of Fondul Proprietatea, is less than half of the value of the subscribed share capital, Fund Manager is bound to call the extraordinary general assembly of the shareholders, which will decide if Fondul Proprietatea requires to be dissolved. In case the extraordinary general assembly of the shareholders does not decide the dissolution of Fondul Proprietatea, then Fondul Proprietatea is bound to proceed, at the latest until the termination of the fiscal year subsequent to the one in which the losses were determined, to a share capital decrease with an amount at least equal to that of the losses which could not be covered by reserves, in case in this time the net assets of Fondul Proprietatea were not reconstituted up to a value at least equal to half of the share capital.
- (7) Share capital decrease shall be performed only after two months as of the publication in the Official Gazette of Romania, Part IV, of the resolution of the extraordinary general assembly of the shareholders.

## **Article 9**

### Shares

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

## **Article 10**

### Bonds

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

## **Article 11**

### Rights and obligations arising from shares

- (1) Each share fully paid by the shareholders, according to the law, grants them the right to vote in the general assembly of the shareholders, according to the provisions of paragraph (2), the right to elect and to be elected in the management bodies, the right to take part in the profit distribution, according to the provisions of this constitutive act and the legal dispositions, respectively other rights provided by the constitutive act.
- (2) The shares issued by Fondul Proprietatea grant the right to vote, subject to the following conditions:
  - (a) in case of a participation held by a shareholder, of up to 1%, included, of the paid share capital of Fondul Proprietatea, each share grants one voting right;

- (b) in case of a participation held by a shareholder, of up to 3%, included, of the paid share capital of Fondul Proprietatea, shares up to 1%, included, of the paid share capital of Fondul Proprietatea, each grants a voting right, and the shares between 1% and 3%, included, two shares grants one voting right;
  - (c) in case of a participation held by a shareholder, of up to 5%, included, of the paid share capital of Fondul Proprietatea, shares up to 1%, included, of the paid share capital of Fondul Proprietatea, each grants a voting right, shares between 1% and 3%, included, two shares grant a voting right, and shares between 3% and 5%, included, 3 shares grants one voting right;
  - (d) in case of a participations held by a shareholder, of over 5% grant voting right as follows: shares of up to 1%, included, of the paid share capital of Fondul Proprietatea each grant the right to one vote, shares between 1% and 3%, included, two shares grants one vote, shares between 3% and 5%, included, 3 shares grants one voting right, and the shares over 5% do not grant voting right.
- (3) The provisions of paragraph (2) shall not apply to the Ministry of Public Finance.
  - (4) Subsequent to the date when the participation of the state falls under 33% of the paid share capital of Fondul Proprietatea, the shareholders may decide regarding the quorum and the right to vote according to the number of shares, observing the common law provisions in this matter.
  - (5) Holding one share implies the rightful adhesion to this constitutive act.
  - (6) The rights and obligations follow the shares in case property thereof passes to another person.

## CHAPTER IV

### General assembly of the shareholders

#### Article 12

##### General assemblies of the shareholders

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



- (k) to decide upon the pledge, lease or the creation of the movable securities or mortgages on the assets of Fondul Proprietatea;
- (l) to decide on any other aspects regarding Fondul Proprietatea, according to the legal duties.
- (3) The extraordinary general assembly of the shareholders is entitled to decide on the following:
  - (a) set-up or closing of some secondary units: branches, agencies, representative offices or other such units with no legal personality;
  - (b) share capital increase;
  - (c) share capital decrease or re-completion thereof by issuing new shares;
  - (d) conversion of shares from one category to another;
  - (e) conversion of a category of bonds to another category or to shares;
  - (f) issue new bonds;
  - (g) approves the admission for trading and nominates the regulated market on which the shares of Fondul Proprietatea will be traded;
  - (h) execution of any agreement/legal documents which may create binding obligations to Fondul Proprietatea including, without limitation to, agreements for purchase, sale or exchange or creation of encumbrances of the assets which exceeds 5% of the asset value of the Fondul Proprietatea portfolio (calculated according to the rules issued by CNVM);
  - (i) change of the management system of Fondul Proprietatea;
  - (j) limitation or cancellation of the preference right of the shareholders;
  - (k) any other amendment of the constitutive act or any other resolution requiring the approval of the extraordinary general assembly of the shareholders, according to applicable law or to this Constitutive Act.

### Article 13

#### Summoning the general assembly of the shareholders

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

convocation of the general assembly, and are also published on the internet page, for free access to information by the shareholders. Upon request, copies of these documents shall be issued to the shareholders.

- (7) The calling notice includes the place, hour and date of the general assembly of the shareholders, as well as the agenda, expressly mentioning all matters that will be subject to debate. Upon calling the general assembly of the shareholders the provisions of art. 147–158 of Regulation No. 15/2004 regarding the authorisation and functioning of investment management firms, collective investment undertaking and depositories, approved by Order of the president of the National Securities Commission No. 67/2004, as further amended, shall apply.
- (8) In case the agenda includes proposals to amend the constitutive act, the notice shall include the full text of the proposals. In case the agenda includes the appointment of the members of the Body of Nominees, the notice shall mention that the list including information regarding the name, the residence and professional training of the persons proposed for the position of member of the Body of Nominees is available to the shareholders, to be further reviewed and completed by shareholders.
- (9) The notice for the first general assembly of the shareholders must set the day and hour of the second meeting, having the same agenda as the first, in order to cover the situation in which the first meeting can not take place due to non-attendance of the required quorum.
- (10) The general assembly of the shareholders shall meet at the headquarters of Fondul Proprietatea or in another place indicated in the notice.
- (11) The Body of Nominees may request to the Fund Manager the calling of the general assembly, and if the Fund Manager does not observe the written request of the Body of Nominees within 5 working days from receiving it, the Body of Nominees may call upon the general assembly of the shareholders by following the same procedures as set out in this Article.
- (12) The chairperson of Body of Nominees may request to the Fund Manager the calling of the general assembly according to article 16 paragraph (4) second sentence.
- (13) The Fund Manager immediately call the general assembly of the shareholders, upon written request of the shareholders, individually or jointly, representing at least 5% of the share capital, in case the request includes dispositions that fall under the responsibility of the general assembly of shareholders.
- (14) In the case provided by paragraph (13), the general assembly of the shareholders shall be called within at most 30 calendar days and shall meet within at most 60 calendar days as of the date when the Fund Manager received the request of the shareholders.
- (15) In the situation provided by paragraphs (13) and (14), in case the Fund Manager does not call the general assembly of shareholders, the shareholders who requested the calling of the general assembly may request the same to the Body of Nominees. Should the Body of Nominees is also not responding to their request in 10 working days from the receipt of the request, the court of law from the headquarters of Fondul Proprietatea, by summoning the Fund Manager, may authorize the calling of the general assembly by the shareholders which formulated the request.

## Article 14

### Organization of the general assembly of the shareholders

#### I. Quorum and voting rights

- (1) Upon the first calling, for the validity of the deliberations of the ordinary general assembly of the shareholders it is required that the shareholders representing at least a fourth of the total voting rights to attend. The decisions of the ordinary general assembly of the shareholders are taken with the majority of votes. The decision of the ordinary general assembly of the shareholders regarding the cancelation of the appointment of the members of the Body of Nominees and of the Fund Manager are taken with a majority of at least two thirds of the number of votes attending or being represented.

- (2) In case the ordinary general assembly of the shareholders cannot operate due to lack of quorum under paragraph (1), the meeting that will meet upon a second convocation may deliberate on the items included in the agenda of the first meeting, irrespective of the met quorum, taking decision by majority of the expressed votes.
- (3) For the validity of the deliberations of the extraordinary general assembly of the shareholders the following are required:
  - (a) upon the first convocation, the attendance of the shareholders representing at least a fourth of the shares having voting rights, and the decisions are taken with majority of votes held by the shareholders attending or being represented;
  - (b) upon the second convocation, the general assembly of the shareholders may deliberate on the items included in the agenda of the first meeting in the presence of the shareholders representing at least one fifth of the total number of the shares having voting rights, taking decisions by majority of votes held by the shareholders attending or being represented.
- (4) For the validity of the deliberations of the extraordinary general assembly of the shareholders to adopt a decision regarding the share capital increase, the share capital decrease, anticipated dissolution of Fondul Proprietatea, made under the conditions of the law, the attendance of the shareholders representing at least 50% of the total number of the voting rights, both at the first and the second convocation, is required.
- (5) The decision to amend the main business object of Fondul Proprietatea, to decrease or increase the share capital, to change the legal form, to merge, de-merge or dissolve, is taken with a majority of at least two thirds of the voting rights related to the shares having voting rights of the shareholders attending or being represented.

## II. Procedure of the meetings

- (6) On the day and hour established in the convocation, the general assembly of the shareholders shall be opened by the permanent representative of the Fund Manager or, in its absence, by the one holding its place. The members of the Body of Nominees shall participate at the meetings, as well.
- (7) The general assembly shall elect, from amongst the attending shareholders, 1 up to 3 secretaries, who will check the attendance list of the shareholders, indicating the share capital represented by each of them, the minutes drawn up by the technical secretary to determine the number of the submitted shares and the fulfilment of the formalities requested by law and by the constitutive act for holding the general assembly of the shareholders.
- (8) A minute of the meeting, signed by the president and by Secretaries, shall determine the fulfilment of the calling formalities, the date and place of the general assembly of the shareholders, attending shareholders, the members of the Body of Nominees present, the number of shares, a summary of the debates, the decisions taken, and upon request of the shareholders, the statements made thereby in the meeting.
- (9) The documents referring to the convocation, the list of attending as well as, as the case may be, the powers of attorney of the representatives of the shareholders shall be attached to each minutes.
- (10) The permanent representative of the Fund Manager may appoint, from amongst the employees of Fund Manager, one or more technical secretaries, to fulfil their duties according to the legal provisions.
- (11) The decisions of the general assemblies of the shareholders are drawn-up based on the minutes and is signed by the permanent representative of the Fund Manager or by a person appointed thereby. The minutes shall be recorded in the general assemblies of the shareholders' register.
- (12) Considering the extremely large number of shareholders of Fondul Proprietatea, which circumstance basically makes impossible to meet all of them in the general assembly of the shareholders, as supreme management body, the shareholders may participate in person,

by proxy with a special power of attorney; the form of the power of attorney and the terms for attending shall be set by the Fund Manager, according to the norms issued by the National Securities Commission and are made available to the shareholders, or may express their voting right by correspondence.

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

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

- (20) The shareholders may be represented in each general assembly by other shareholders or by third parties subject to evidence that voting authority has been delegated by the shareholder for that particular general assembly.
- (21) The decisions of the general assemblies of the shareholders are taken by open vote, except for the cases the law or this constitutive act does not provide differently.
- (22) Only the shareholders registered in the company shareholders’ register at the reference date established by the Fund Manager or the Body of Nominees, as the case may be, when calling the general assembly of the shareholders shall be entitled to participate to the meeting and vote after proving their identity.

- (23) Secret vote is compulsory for electing and revoking the Fund Manager, the members of the Body of Nominees, the financial auditors and for taking some measures/decisions regarding the liability of the Fund Manager or of the members of the Body of Nominees and of the financial auditors of Fondul Proprietatea.
- (24) The following procedures referring to the secret vote shall apply in the compulsory cases, for ensuring the secrecy of voting in the general assembly of shareholders:
  - (a) the technical secretaries of the general assembly of the shareholders shall hand each shareholder a voting bulletin indicating the number of shares thereof and instructions regarding the means of voting;
  - (b) each shareholder shall vote by filling in the voting bulletin and submitting it to the secretaries of the general assembly of the shareholders, who will count the voting bulletins and shall communicate the result of the voting.
- (25) The decisions of the general assembly of the shareholders are binding for all shareholders, even for the absent shareholders or who voted against or abstained.
- (26) The shareholders who do not have capacity to act, as well as the legal entities may be represented by their legal representatives who, in their turn, may grant power of attorney to other persons for that particular general assembly of the shareholders.

## **CHAPTER V**

### The Body of Nominees

#### **Article 15**

##### Organisation

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

#### **Article 16**

##### Functioning

- (1) The meetings of the Body of Nominees are held at least once every quarter, however they may be called upon whenever needed. The call for the meeting of the Body of Nominees is made by the chairman, any of its members or upon the request of the Fund Manager. The Body of Nominees shall meet in at most 7 days as of the calling.
- (2) The Chairperson of the Body of Nominees or, during his absence, a member of the Body of Nominees appointed through vote by the other members to chair the meeting, ensures the proper development of the meetings. The meetings of the Body of Nominees shall be held at the HQ of Fondul Proprietatea.

- (3) The Body of Nominees takes valid decisions provided the absolute majority of its members. The members of the Body of Nominees may be represented to the meetings of the Body of Nominees only by other members of the Body of Nominees on the basis of a special written empowerment, presented in its original form at the beginning of the meeting. One member of the Body of Nominees may represent only one absent member. The decisions of the Body of Nominees shall be taken with the absolute majority of the votes of its members and are signed by all the members which participated to the meeting. If some of the members of the Body of Nominees have been represented, the empowerment will be annexed to the minute of the meeting.
- (4) If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision, the chairperson of the Body of Nominees shall give notice for a second meeting of Body of Nominees, having the same agenda as the first, in order to discuss this agenda. If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision for three consecutive times, the chairperson of the Body of Nominees shall ask Fund Manager to convoke the general assembly of the shareholders in order to properly decide on the respective decisions; in case that Fund Manager does not convoke it, any of the members of the Body of nominees will be in his right to convoke the general assembly.
- (5) In case of vacancy of the seat of one or more members of the Body of Nominees, the general assembly of the shareholders shall immediately convoke for the appointment of new members. For the period in time until the decision of the general assembly, the other members of the Body of Nominees will nominate members ad interim to fulfil the vacanted positions. The decision of the Body of Nominees on nominating members ad interim will be communicated to FM, the auditor and will be filed with the Trade Register.

### Article 17

#### Attributions of the Body of Nominees

The Body of Nominees has the followings duties and functions:

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



- (8) Receives from the Fund Manager for analysis the proposal to the ordinary general assembly of the shareholders for the conclusion of the financial audit agreement and presents an opinion to the Fund Manager and to the general assembly of the shareholders;
- (9) Reviews on a regular basis the investment policy of Fondul Proprietatea and presents an opinion to the general assembly of the shareholders as any time it deems necessary, but in any case, at least once a year to the annual ordinary assembly;
- (10) Receives the report of the internal auditor and presents an opinion to the Fund Manager and to the general assembly of the shareholders;
- (11) Monitors the following, based on information and reports received from the Fund Manager:
  - the list of all portfolio investments and percentage breakdown by each investment type;
  - a list of major transaction occurring in the Fondul Proprietatea portfolio for the period under review;
  - the total return of the portfolio and comparison of return with the appropriate benchmark;
  - comparison of return on the portfolio with the portfolio objective;
  - the extent of compliance with the investment policy statement, any variations and actions taken to correct variations;
  - the performance evaluation report.

All the above with the purpose of drafting and presenting a report regarding the developed monitoring activity any time is required by the shareholders, but in any case at least once a year, to the general assembly of the shareholders;

- (12) Represents the general assembly of the shareholders in relation with the Fund Manager from the communication point of view between the two corporate bodies, except for the cases expressly regulated by this constitutive act as a direct communication between the general assembly and the Fund Manager;
- (13) Verifies the report of the Fund Manager and the exercise of the permanent monitoring over the management of Fondul Proprietatea by the Fund Manager, and verifies if the operations carried on by the Fund Manager are in compliance with the applicable law, the constitutive act and/or with any relevant decision of the general assembly of the shareholders;
- (14) Under the conditions of art. 13 paragraphs (11) and (14) calls upon the general assembly of the shareholders;
- (15) Participates to the meetings of the general shareholders' assemblies and presents in this meeting reports in all cases provided by this constitutive act or with regard to any issue it deems to be relevant for the shareholders;
- (16) Proposes to the general assembly of the shareholders the approval or rejection of any contract/document which may create binding obligations to Fondul Proprietatea (including without limitation buying, selling, exchanging, pledging of assets of Fondul Proprietatea) which exceeds 5% of the asset value of Fondul Proprietatea's portfolio (calculated according to the rules issued by CNVM);
- (17) Recommends to the Extraordinary General Assembly of the Shareholders the termination of the management contract for the case when the Body of Nominees is considered is to the benefit of the shareholders.
- (18) Recommends to the general assembly of the shareholders on any other issues the Body of Nominees is considered relevant to the shareholders.
- (19) Following of proposal of Fund Manager, recommends to the general assembly of the shareholders the appointment of the public offer intermediate, as well as on his remuneration, when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.

## Article 18

### The obligations of the members of the Body of Nominees

- (1) The members of the Body of Nominees have diligence and loyalty duties towards the shareholders of Fondul Proprietatea.
- (2) The members of the Body of Nominees are held liable towards the general assembly of the shareholders of Fondul Proprietatea, in accordance with the mandate rules. The decisions of the members of the Body of Nominees will be taken after due enquiries into the relevant circumstances existing at the specific moment at which such decisions have been taken.
- (3) The members of the Body of Nominees cannot disclose the confidential information and the commercial secrets of Fondul Proprietatea, to which those persons have access. Such obligation remains in force as well as after the termination of the mandate.
- (4) If a member of the Body of Nominees has, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, in a certain operation, that member must give notice of such situation to the other members and to the internal auditors and not take part in any deliberation regarding that operation.
- (5) The same obligation must be observed by the member of the Body of Nominees, who acknowledges that in a certain operation, his/her wife or husband, relative or related persons until the 4th grade inclusive are interested.
- (6) The prohibitions stipulated in paragraphs (4) and (5) regarding the participation, deliberation and voting of the members of the Body of Nominees, are not applicable if the vote refers to:
  - (a) the offer of shares or obligations of Fondul Proprietatea for subscription, to a member of the Body of Nominees or to the persons mentioned in paragraph (5);
  - (b) the granting by a member of the Body of Nominees or by the persons mentioned in paragraph (5) of a loan or establishing a guarantee in favour of Fondul Proprietatea.
- (7) The member of the Body of Nominees not observing the provisions of paragraphs (4) and (5) is held liable for the damages caused to Fondul Proprietatea.
- (8) It is forbidden the crediting by the Fondul Proprietatea of the members of the Body of Nominees, through operations such as:
  - (a) granting loans;
  - (b) granting financial facilities for or after the conclusion by Fondul Proprietatea with the members of delivery operations of goods, providing of services or performance of works;
  - (c) direct or indirect guarantee, in whole or in part, of any loans granted to the member of the Body of Nominees, concomitant or after granting the loan;
  - (d) direct or indirect guarantee, in whole or in part, of performance by the members of any other personal obligation of those towards third parties;
  - (e) direct or indirect guarantee, in whole or in part, of any receivables having as object a loan granted by a third party to the members of the Body of Nominees or other personal service of those members.
- (9) The provisions of paragraph (8) are applicable and the operations in which the husband or wife, relatives or related persons until the 4th grade inclusive of the members of the Body of Nominees are interested; also, if the operation concerning a civil or a commercial company at which one of the persons above mentioned is director or holds, solely or together with one of the persons above mentioned, a quota of at least 20% of the value of the subscribed share capital.
- (10) The provisions of paragraph (8) are not applicable for the case when the operation is concluded by Fondul Proprietatea during its current business, and the clauses of the operations are not more favourable to the persons specified in paragraphs (8) and (9) than the ones usually practiced by Fondul Proprietatea towards third parties.



- (11) The Body of Nominees shall promptly decide on all requests for approval from the Fund manager within a reasonable time frame to allow the Fund Manager to comply with its own obligations.

## CHAPTER VI

### Provisions regarding the company's management

#### Article 19

##### Organisation

- (1) Fondul Proprietatea is managed by Franklin Templeton Investment Management Limited through its Romanian branch, with headquarter in Bucharest, 78–80 Buzesti street, floors 7–8, sector 1, fiscal registration no. 25851096, registration number at Trade Registry J40/8587/2009, legally represented by Grzegorz Maciej Konieczny, Polish citizen, borned on 22.11.1970 at Slupsk, Poland, with home adress in Poland, identified with identification documentation issued by Polish Authorities on 14.05.2009, with valability date until 14.05.2019, with personal identification number 7011220001 and by Adrian Cighi, Romanian citizen, with home adress on Cluj-Napoca, 14. Trifoiului street, bl. C5, ap. 6, Cluj district, identified cu ID KX number 550837 issued by SPCLEP Cluj-Napoca on 31.05.2007, with personal identification number 1830810314000, under Investment Management Agreement signed on 25 februarie 2010, which holds the position of sole director, as well as of asset management company referred to throughout this document as the Fund Manager.
- (2) The Fund Manager is elected by the general assembly of the shareholders, with the observance of the legal provisions and of this constitutive act.
- (3) The mandate of the Fund Manager is of 4 years and is renewed automatically, if there is no adverse decision of the general assembly of the shareholders, entitled to decide on the termination of the mandate even before its regular lifespan.
- (4) The legal entity appointed as Fund Manager of Fondul Proprietatea must expressly accept such position, by executing the management agreement and must have in place a professional liability insurance.

#### Article 20

##### Functioning

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

#### Article 21

##### Attributions of the Fund Manager

- (1) The management of Fondul Proprietatea is ensured by the Fund Manager, which fulfils the necessary and useful operations for the fulfilment of the company's business object, except of the operations reserved by the law for the general assembly of the shareholders and has all the obligations attributed to it by the applicable law.
- (2) The Fund Manager exercises its attributions under the control of the general assembly of the shareholders and the monitoring of of the Body of Nominees.
- (3) In excess of the duties provided by the applicable law, the Fund Manager shall be liable to:

- (i) establish a reference date for shareholders entitled to vote within the general assembly, under the law, and draft the text of the announcement on the convocation of the general assembly, after obtaining the prior approval of the Body of Nominees and after it added to the agenda the matters requested by the Body of Nominees;
- (ii) upon the written request of any shareholder submitted before the date of the general assembly of the shareholders, after obtaining the prior approval of the Body of Nominees, regarding the aspects concerning the business of Fondul Proprietatea;
- (iii) ensure that, if requested by any of the shareholders, a copy of or extract of the minutes of the general assembly shall be given to them and also, after the announcement of the ordinary annual general assembly of the shareholders is published, make available to the shareholders the financial statements of the company and the reports of the Fund Manager and of the company's financial auditors,
- (iv) examine and review the annual financial statements drafted by the company's accountants, draft the annual activity report, examine the financial auditors' report, present them to the Body of Nominees before submitting such documents to the general assembly of the shareholders and make proposals on the distribution of the profit to the general assembly of the shareholders, after obtaining the prior approval of the Board of Nominees;
- (v) manage the relationship with the Central Depository with regard to its shareholders register functions,
- (vi) prepare an annual report on the management and the business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the general assembly of the shareholders;
- (vii) propose for the prior approval of the Body of Nominees and further, of the general assembly of the shareholders, of the yearly income and expenditure budget and business plan;
- (viii) propose for the prior approval of the Body of Nominees and further, of the general assembly of the shareholders of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea: it is responsible for the carrying on of the investment policy and for achieving a proper balance between the profits and the risks related to the Fondul Proprietatea portfolio; it has to inform periodically the Body of Nominees on any significant changes in the activities of Fondul Proprietatea and within the structure of its portfolio.
- (ix) approve the outsourcing of certain activities, within the limits of the approved budget; respectively delegating the execution of certain activities, with the condition of a prior approval given by CNVM;
- (x) based on the proposal of the Body of Nominees to submit to the approval of the general assembly of the shareholders any agreement/ document which may create binding obligations to Fondul Proprietatea, (including but not limited to the purchase, selling, change or encumber the non-current asset of Fondul Proprietatea) which exceeds 5% of the asset value of the portfolio of Fondul Proprietatea (calculated according to the regulations issued by CNVM);
- (xi) propose to the general assembly of the shareholders the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Body of Nominees, as well as approve the procedure of internal audit and the audit plan;
- (xii) decide the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;
- (xiii) make available to the Body of Nominees the reports, as well as other necessary documents for exercising the monitoring duties, in accordance with art. 17 paragraph (11);
- (xiv) to inform at once the Body of Nominees of any litigation or infringement of legislation regarding Fund Manager, any operation which might be an infringement to the investment policy and about the plans/correction measures for approaching these matters.

- (xv) ask for the calling of the general assembly which shall decide properly whenever an issue appears on which the Body of Nominees has a disagreement with the Fund Manager, which can not be resolved amiably.

## **Article 22**

### The obligations of the Fund Manager

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

## **Article 23**

### Representation of Fondul Proprietatea

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

## **CHAPTER VII**

### The audit of Fondul Proprietatea

## **Article 24**

### The internal auditors and the financial audit

- (3) Fondul Proprietatea must observe the provisions of the financial audit. Also, Fondul Proprietatea shall organise its internal audit in accordance with the legal provisions in force.
- (4) An internal audit department shall be organised within Fondul Proprietatea, having attributions of objective examinations of the company's aggregate business, for the purpose of providing an independent evaluation of the risk management, control and leading development of the company. Fund Manager can decide that internal audit work can be outsourced, in which case it will run on a contractual basis, according to article 3 of Decision of Romanian Chamber of Auditors no. 88/2007, with subsequent amendments.
- (5) The internal audit is independent of the management of Fondul Proprietatea, and the internal auditors shall objectively exercise this activity.
- (6) The internal audit shall evaluate and shall propose the improvement of the risk management, the control and internal rules within Fondul Proprietatea.
- (7) The internal auditors shall not be subject of any interference in determining the purpose of the internal audit and in exercising their activity.

- (8) The internal auditors shall have an impartial, correct attitude and shall avoid the conflicts of interest.
- (9) The internal audit shall transmit the plans of the internal audit activity and the necessary resources, inclusive the significant interim changes, to the Body of Nominees for information, as well as to Fund Manager for approval within the limits of its competencies.
- (10) The internal audit shall establish the policies and procedures for exercising the internal audit activity within Fondul Proprietatea, comprising amongst others, the analysis of the decisions taken by the company's management and the control of their compliance with the statutory requirements and/or with other documents approved by the general assembly of the shareholders.
- (11) The internal audit shall coordinate its activity with the financial auditor, in order to ensure the proper fulfilment of the audit objectives and to minimize any duplication of attributions.
- (12) The internal audit shall give quarterly reports to the Body of Nominees of Fondul Proprietatea and Fund Manager regarding the purpose of the internal audit activity, authority, responsibility and performance according to its plan. The reports shall include also the significant risks and aspects of the control and management, as well as other necessary problems or as requested by the Board of Nominees and the Fund Manager.
- (13) The internal audit shall verify if the management of Fondul Proprietatea has taken appropriate measures concerning the reported significant risks or if the Fund Manager has accepted the risk of not taking any measure and shall inform the Board of Nominees and the general assembly of the shareholders if the Fund Manager has accepted the reported significant risks.
- (14) The internal audit shall establish the procedures for monitoring the implementation of the measures taken by the management of Fondul Proprietatea.
- (15) The internal auditors shall notify the Body of Nominees and the Fund Managers with respect to any flaws in the management or breaches of the legal provisions or of the constitutive act, where such are identified by the internal auditors; the significant cases shall be notified to the general assembly of the shareholders.
- (16) The internal auditors shall take into consideration the complaints of the shareholders when drafting the reports addressed to the general assembly of the shareholders.
- (17) The attributions, duties and the functioning way of the internal auditors, as well as their rights and obligations are completed with the legal provisions in this area.

## **CHAPTER VIII**

### **Business of Fondul Proprietatea**

#### **Article 25**

##### **Financing its own business**

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

#### **Article 26**

##### **Financial year**

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

**Article 27**

## Accounting evidence and annual financial statements

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

**Article 28**

## Calculation and distribution of the profit

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

**Article 29**

## Registries

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

**CHAPTER IX**

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

**Article 30**

## Association

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

**Article 31**

## Dissolution

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

**Article 32**

## Liquidation

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

**Article 33**

## Calculation method of the net asset

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

**Article 34**

## Prudential rules concerning the investment policy

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

## Eligible assets categories

- (a) securities and instruments of the money market registered or traded on a regulated market as defined in art. 125 in Law No. 297/2004, in Romania or in a Member State of EU;
- (b) securities and instruments of the money market admitted at the official value of a Stock Exchange of a non-member state or negotiated on another regulated market in a non-member state operating regularly and is recognised and open to the public, with the condition that the

choice of the stock exchange or regulated market has been approved by CNVM or has been stated in the investment policy of the Fondul Proprietatea or in the Constitutive Act, approved previously by CNVM.

- (c) Securities recently issued, with the condition that:
- the issuance conditions include a firm commitment, according to which it will be requested the admission to trading in a stock exchange or another regulated market operating regularly and being recognised and open to the public with the condition that the choice of the stock exchange or regulated market has been approved by CNVM or has been stated in the Constitutive Act of Fund management approved by CNVM;
  - the admission to trading has to be provided within a maximum one year after issuance.
- (d) securities of undertakings for collective investment in transferable securities (OPCVM) and/or other undertakings for collective investment (AOPC) with the characteristics stated for in art. 76 para. (1) letter a) and b) in Law 297/2004, authorised in Member and Non-Member States, with the condition that those will fulfil cumulatively the following conditions:
- AOPC are authorised according to a legislation stating that those are the object of a supervision considered by CNVM as being equivalent to the one stated for in the Community legislation and the co-operation between CNVM and the competent authority in the state of origin is ensured at a satisfactory level;
  - The level of protection for investors in the respective AOPCs is equivalent to the one ensured for investors in OPCVM and, specifically, the rules on segregation, loans and sells on the uncovered position of securities and instruments of the money market and instruments of the money market are equivalent to the provisions of Law No. 297/2004;
  - The activities of AOPC are subject to bi-annual and annual reports, allowing an evaluation of assets and liabilities, revenues and operations for the reporting period;
  - Max. 10% of the total assets of the other OPCVM and/or AOPC for which it is intended to make investments, may, in accordance with constitutive acts of those, be invested in securities issued by other OPCVM and AOPC;
- (e) deposits to credit institutions, reimbursable upon request or provide right for withdrawal, with a maturity of max. 12 months, under the condition that the credit institution has its permanent establishment in Romania or in an EU Member State, or, if the permanent establishment of a credit institution is in a Non-Member State, under the condition that this one observes the prudential rules considered by CNVM to be equivalent to those stated for the EU;
- (f) financial derivatives, including those involving final settlement of funds, traded on a regulated market in the understanding of letter a) and b) and/or financial derivatives negotiated out of the regulated market with the cumulative fulfilment of the following conditions:
- the support asset resides in instruments stated at art. 101 para. (1) in Law No. 297/2004, with its subsequent modifications and completions, financial indicators, interest rate and exchange rate, where Fondul Proprietatea may invest according to its investment objectives stated in Investment Policy Statement of Fondul Proprietatea or in its constitutive act;
  - counterparts, within the negotiations carried on outside the regulated market, are institutions, subject to prudential supervision, belonging to the categories approved by CNVM;
  - financial derivatives negotiated outside the regulated market are subject to daily evaluation, trustworthy and verifiable, and may be, upon Fondul Proprietatea initiative sold, liquidated or the position may be closed, at any time, at their fair value, through a transaction of an opposite direction.



- (g) instruments of the money market others than those negotiated on a regulated market, which are liquid and whose value may be determined precisely at any moment in time, under the condition that the issuance or issuer are subject to the regulations referring to the protection of investors and their savings, with the conditions that these instruments are:
- issued or guaranteed by a central, regional or local administration unit or by the central bank of a Member State, ECB, EU or EIB, a Non-Member State or, for the case of a Federal State, by one of the states member of the federation, or by an international public organization to which one or several Member States belong; or
  - issued by an organization whose securities are negotiated on regulated markets mentioned in sub-para. a) and b); or
  - issued or guaranteed by an entity subject to prudential supervision, according to the criteria defined by the Community legislation, or by an entity which is subject of and observes the prudential rules considered by CNVM to be at least as exigent as the ones stated in the Community legislation; or
  - issued by other entities belonging to the categories approved by CNVM under the condition that the investments in such instruments be subject to a protection of investors equivalent to the one established previously and with the condition that the issuer is a company whose capital and reserves amounts to at least 10,000,000 Euro and which presents and publishes the annual reports in accordance with the applicable Community legislation, or an entity which, within a group of companies comprising one or more listed companies, is dedicated to the financing of the group, or is an entity dedicated to financing securitizing vehicles having the benefit of bank credit lines.

Other rules:

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

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

- Fondul Proprietatea may not hold more than 20% of its assets in securities and instruments of the money market, not admitted for trading, with the exception of sovereign bonds and t-bills issued by the Ministry of Public Finance, for which case the ownership limit does not apply. For the calculation of the ownership limit in securities not admitted to trading, it is to be excluded from the value of assets not admitted to trading the securities not admitted to trading earned from the Romanian State on the basis of this law, represented by the Ministry of Public Finance, the Ministry of Communication and Information Society, AVAS and the Ministry of Transportation and Infrastructure and from SC Electrica SA.
- Fondul Proprietatea may invest in deposits placed according to the provisions of art. 101 para. (1) letter c) in Law No. 297/2004 with its subsequent modifications and completions, and in instruments of the money market stipulated in art. 101 para. (1) letters a), b) and g) in Law No. 297/2004 and may have current accounts and cash in lei and foreign currencies.
- Fondul Proprietatea may acquire only movable and immovable assets which are necessary for carrying on its activity.
- Fondul Proprietatea may not hold more than 10% of its assets in the shares mentioned in art. 4 and in the instruments on the money market mentioned in art. 101 para. (1) letters a) and b) in Law No. 297/2004, with its subsequent modifications and completions, issued by a single issuer, with the exception of sovereign bonds.



- Fondul Proprietatea may not hold more than 10% of its assets in financial instruments issued by entities belonging to the same group.
- Fondul Proprietatea may not hold more than 10% of its assets in securities issued by OPCVM and/or AOPC.
- The total value of the current accounts and cash held by the Fund must not exceed 20% of its assets. For the calculation of this limit, the cash collected by the Romanian State based on the provisions of Law No. 247/2005 shall be excluded from the assets value. This limit may be extended up to max. 50% with the condition that the respective amounts derive from investments reaching maturity or from selling financial instruments from its portfolio, and that the respective extension will not be longer than 90 days.
- The value of the bank deposits made by the Fund to the same credit institution may not be higher than 10% of its assets.
- Exposure of Fondul Proprietatea to the counterparty risk in a transaction with financial derivatives traded out of the regulated markets may not exceed 10% of its assets, irrespective of the counterparty of the transaction, while the global exposure against financial derivatives may not exceed 15% of the total allocation of its net assets.
- Fondul Proprietatea may exceed the limits referring to any of the investments made in financial instruments, included in its assets, or, if using the subscription right related to those, with the condition that the extension will not be longer than 120 calendar days.
- Fondul Proprietatea shall invest at least 20% of its assets in:
  - Securities registered for trade on a regulated market, defined in art. 125 in Law No. 297/2004, or traded within an alternative trading system, in Romania or in another Member State of EU.
  - The securities admitted to the official rating of a stock exchange in a Non-Member State or negotiated on another regulated market functioning regularly in a Non-Member State and is recognised and open to the public, with the condition that the choice of the stock exchange or of the regulated market be approved by CNVM or to be stipulated in the constitutive act of Fondul Proprietatea approved by CNVM.
  - Securities non-issued, under the terms of art. 101 para. (1) letter c) in Law No. 297/2004, with its subsequent modifications and completions,
  - Securities issued by OPCVM and/or AOPC mentioned in art. 101 para. (1) letter d) in Law No. 297/2004, with its subsequent modifications and completions,
  - Securities issued by OPCVM and/or AOPC. Admitted to trade on a regulated market or traded within an alternative trading system.

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

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

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

that the whole portfolio will migrate in time towards the standard allocation rules. The provisions referring to the allocation methods do exclude the assets owed from the State on the basis of Law No. 247/2005 with its subsequent modifications and completions.

#### **Article 36**

##### Conditions for the replacement of the depository

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

#### **Article 37**

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

- (1) The Fund Manager, respectively its permanent representative shall cumulatively fulfil with the minimum requirements regarding the integrity, qualification and professional experience provided in the legislation and in other specific provisions; the identity of the Fund Manager is the one registered with the National Office of Trade Registry, based on the decision of the general assembly of the shareholders regarding its election.
- (2) Fund Manager means the investment management company, legal person established as a limited company which operates or will be established and operated on the authorization issued by the NSC, including investment management company, foreign entity, authorized by the competent authority of State of origin and which will establish a branch in Romania, the permit issued by the NSC, and NSC entered in the register this branch.

#### **Article 38**

##### Litigations

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

### **CHAPTER X**

#### Final provisions

#### **Article 39**

##### Final provisions

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

## Annex 3

of the Annual Report 2010

### Major Contracts Concluded by Fondul Proprietatea S.A. in the Year 2010

1. Investment Management Agreement no. 7 of February 25, 2010 concluded by SC Fondul Proprietatea SA with Franklin Templeton Investment Management Ltd. United Kingdom

**MANAGEMENT AGREEMENT  
DATED 25.02.2010  
S.C. FONDUL PROPRIETATEA S.A.  
and  
FRANKLIN TEMPLETON INVESTMENT  
MANAGEMENT LIMITED**

THIS AGREEMENT is made on 25.02.2010

BETWEEN:

1. FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED of the Adelphi, 1–11 John Adam Street, London WC2N 6HT, United Kingdom (“Fund Manager”) (“S.A.I.” in Romanian language); and
2. S.C. FONDUL PROPRIETATEA S.A. of Apolodor St. 17, 5th District, Bucharest municipality, Romania (the “Customer”).

WHEREAS:

- (A) the Customer wishes to appoint S.A.I. as an investment management company, which includes the role of investment manager (“administrator al investițiilor” in Romanian language) with respect to the assets of the Customer, on the terms of this Agreement;
- (B) the Fund Manager wishes to accept the appointment, on the terms of this Agreement;

#### 1. INTERPRETATION

In this Agreement, unless the context otherwise requires, it is agreed that:

- words in the singular include the plural, words in the plural include the singular, words importing the masculine gender include the feminine, and words importing the feminine gender include the masculine;
- headings and paragraphs are for the purpose of organization only and shall not be used to interpret this Agreement;
- references to “this Management Agreement” include its Preamble, Recitals and Annex (which are incorporated herein by reference and are integrated within the body of this Management Agreement) and this Management Agreement, unless otherwise stated;
- references in this Management Agreement to Preamble, Recitals, Sections, Articles, Clauses, Sub-Clauses and Schedules are to the preamble, recitals, sections, articles, clauses and sub-clauses of, and annexes to, this Management Agreement, unless otherwise stated.

#### 2. DEFINITIONS

In this Management Agreement, the following capitalised terms shall, unless the context otherwise requires or it is otherwise provided, have the following meanings:

**Account** means the custody account maintained by the custodian or custodians, as the Customer shall nominate in writing to the Fund Manager;

**Affiliate** means, with respect to any person, any other person directly or indirectly controlling, controlled by, or under common control with such person;

**AOPC** means the collective investment undertakings other than the undertakings for collective investment in transferable securities (OPCVM) which are established as closed-end investment funds or closed-end investment companies as defined by art. 114 para. (1) of Law no. 297/2004;

**Associated company** (when used in relation to the Fund Manager) means any company which is an Affiliate of the Fund Manager;

**BoN** means the Body of Nominees (“Comitetul Reprezentantilor” in Romanian language) – the supervisory body of the Fund Manager, appointed by the GSA and under direct supervision of GSA;

**Central Depository** means a legal person established as a joint-stock company, authorised and supervised by CNVM, which deposits securities and carries out other related operations;

**CNVM** means the Romanian National Securities Commission, having the duties established in the Government Emergency Ordinance no. 25/2002 on the approval the By-laws of the National Securities Commission, approved with amendments by Law no. 514/2002, as subsequently amended;

**Constitutive Act** means the Articles of Incorporation of the Customer;

**Control** and its synonyms means the relationship between the parent company and its subsidiary or a similar relation between any physical or legal entity and a commercial company; any subsidiary of a subsidiary will be considered a subsidiary of the parent company actually controlling these subsidiaries; a close relationship is also considered to be the situation where two or more natural or legal entities are permanently linked by one and the same person through a control relationship;

**Custodian** is that credit institution in Romania, authorized by Romania’s National Bank, according to banking legislation, or a branch in Romania of a credit institution, authorized in a Member State, endorsed by CNVM to hold and safeguard financial assets in compliance with the provisions of Law no. 297/2004, in the custody of which are entrusted all assets of S.C. “Fondul Proprietatea” S.A.;

**Customer** means S.C. “Fondul Proprietatea” S.A., a closed – end investment company established in 2005 by the Romanian Government by the Government Decision no. 1481/2005 regarding the establishment of the Company S.C. “Fondul Proprietatea” – S.A., as further amended, in order to compensate the citizens whose assets were abusively taken from them during the Communist era, located in Bucharest municipality, Apolodor St. 17, 5th District, Romania;

**Damages** mean any and all losses, claims or liabilities generated by any circumstances that may result in a prejudice;

**Delegate** means the entity which has been delegated or outsourced the investment management or other functions by the Fund Manager, with the prior written consent of the Customer;

**Dispute** means any dispute or difference arising out of or in connection with this Management Agreement, including without limitation any disputes regarding its valid conclusion, existence, nullity, breach, termination or invalidity, by the fund manager or an associated company;

**Fund Manager** is Franklin Templeton Investment Management Limited, the asset management company, a foreign legal person, which is set up as a company limited by shares and is authorized by the competent authority in the Member State of origin and which, as a precedent condition for this Agreement to become effective, will set up a branch on Romania’s territory, based on the authorization issued by CNVM and will register such branch with the CNVM Registry. The Fund Manager will be designated as sole director of the Customer according to the provisions of this Management Agreement and of the Constitutive Act;

**GDP** means Gross Domestic Product, meaning the monetary value of all the finished goods and services produced within the Romania’s borders in a specific time period;

**GEO no. 81/2007** means the Emergency Government Ordinance no. 81/2007 for the acceleration of the procedure on granting damages in case of the assets abusively taken, published in the Official Gazette No. 446 of 29 June 2007, Part I;

**GSA** means the General Shareholders’ Assembly of the Customer;

**IFRS** means International Financial Reporting Standards, meaning a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements;

**Indemnified Party** means the Customer, its employees, agents and representatives;

**In-House Funds** means collective investment schemes and individual portfolios of investments managed by the Fund Manager;

**IPS** means the Investment Policy Statement, meaning the process that the Customer has approved in order to make investment related decisions in relation to the Portfolio assets;

**Law No. 297/2004** means the Capital Market Law no. 297/2004, published in the Official Gazette of Romania No. 571 of 29 June 2004, Part I, as further amended and completed;

**Law No. 247/2005** means the Law no. 247/2005 regarding the Property and Judicial Reform, as well as Adjacent Measures, published in the Official Gazette No. 653 of 22 July 2005, Part I, as further amended and completed;

**Listing** means the first day of trading on the regulated spot market managed by S.C. Bursa de Valori Bucuresti S.A.;

**Member State** means the Member States of the European Union and the other States which belong to the European Economic Area;

**Management Agreement** means this Management Agreement concluded between S.C. Fondul Proprietatea S.A., as Customer and FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED, as Fund Manager;

**NAV** means the net asset value of an AOPC, which is determined as the difference between its total asset value and the total sum of its liabilities and revenues registered in advance;

**OPCVM** means undertakings for collective investment in transferable securities; meaning open-end investment funds and investment companies as defined by Art. 76 para. (1) of Law no. 297/2004;

**Prudential rules** means regulations regarding prudential and capital adequacy requirements issued by CNVM or other capital market/banking regulatory bodies in the European Union in order to assess risks correctly and further to prevent and mitigate their effects;

**Portfolio** means the totality of assets managed;

**Regulated market** is the market defined in art. 125 of Law no. 297/2004;

**Sole Director** means the legal person appointed by the shareholders to manage the Customer, within the limits provided by the applicable Romanian law, the Constitutive Act and the decisions of the GSA. For the purposes of this Agreement, any reference to the Sole Director is a reference to the Fund Manager;

**Soft dollar practices** mean arrangements under which assets or services, other than execution of securities transactions, are obtained by a fund manager from or through a broker – dealer in exchange for the direction by the fund manager of client brokerage transactions to the broker – dealer.

### 3. AGREEMENT SCOPE

The scope of this Management Agreement is to grant the Fund Manager the mandate of Sole Director of the Customer, and also, of management company of the Customer and to establish the parties' rights and obligations regarding this mandate.

### 4. APPOINTMENT OF THE FUND MANAGER

4.1 The Customer hereby appoints the Fund Manager as the Sole Director of the Customer, and also, as the management company of the Portfolio transferred according to point 14.1. let. d).

## 5. ACCEPTANCE OF APPOINTMENT

The Fund Manager hereby accepts its appointment as Sole Director of the Customer and management company of the investments upon the terms of this Management Agreement.

## 6. OBLIGATIONS OF THE FUND MANAGER. MANAGEMENT SCOPE AND OBJECTIVE

The obligations and the competencies of the Fund Manager as Sole Director of the Customer are set forth by Romanian Company Law no. 31/1990, as republished and further amended and the applicable regulations, Law no. 297/2004 and the applicable regulations and the Constitutive Act, which may be subject to further amendment according to law. The Fund Manager shall be responsible for:

- (i) establishing a reference date for shareholders entitled to vote within the general assembly, under the law, and draft the text of the announcement on the convocation of the general assembly, after obtaining the prior approval of the Body of Nominees and after it added to the agenda the matters requested by the Body of Nominees;
- (ii) upon the written request of any shareholder submitted before the date of the general assembly of the shareholders, providing answers, after obtaining the prior approval of the Body of Nominees, in connection with the aspects concerning the business of Fondul Proprietatea;
- (iii) ensuring that, if requested by any of the shareholders, a copy of the minutes of the general assembly shall be given to them and also, after the calling of the ordinary annual general assembly of the shareholders is published, make available to the shareholders the financial statements of the company and the reports of the Fund Manager and of the company's financial auditors;
- (iv) examining and reviewing the annual financial statements drafted by the company's accountants, drafting the annual activity report, examining the financial auditors' report, presenting them to the Body of Nominees before submitting such documents to the general assembly of the shareholders for approval and making proposals on the distribution of the profit, after obtaining the prior approval of the Board of Nominees;
- (v) managing the relationship with the Central Depository with regard to its shareholders register functions;
- (vi) preparing an annual report on the management and the business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the general assembly of the shareholders;
- (vii) proposing for the prior approval of the Body of Nominees and further, of the general assembly of the shareholders, of the yearly income and expenditure budget and business plan;
- (viii) proposing for the prior approval of the Body of Nominees and further, of the general assembly of the shareholders of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea; it is in charge with the implementation of the investment policy and with achieving a proper balance between the profits and the risks related to the portfolio of Fondul Proprietatea, it has to inform periodically the Fund on the significant changes in the activities of Fondul Proprietatea and within the structure of its portfolio;
- (ix) approving the outsourcing of certain activities, within the limits of the approved budget, respectively delegating the performance of certain activities, subject to the prior endorsement by CNVM;
- (x) based on the proposal of the Board of Nominees, submitting to the approval of the general assembly of the shareholders any agreement/document which may create binding obligations to Fondul Proprietatea, not limited to the purchase, selling, change or encumbrance of the non-current assets of Fondul Proprietatea which exceed 5% of the total net asset value of the portfolio of Fondul Proprietatea (calculated according to the regulations issued by CNVM);
- (xi) proposing to the general assembly of the shareholders the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Body of Nominees, as well as approving the procedure of internal audit and the audit plan;



- (xii) deciding the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;
- (xiii) making available to the Body of Nominees the reports, as well as any other documents necessary for exercising the monitoring duties, in accordance with art. 17 para. (11) of Annex no. 7 to the Terms of Reference as approved by Government Resolution 1514/2008 approving the regulation for the organisation of the international tender for the appointment of the management company of Fondul Proprietatea and of the Terms of Reference of the tender; to inform at once the Body of Nominees on any litigation or infringement of legislation regarding securities related to the Fund Manager, on any operation which might be an infringement to the investment policy and about the plans/correction measures for addressing these matters;
- (xiv) asking for the calling of the extraordinary general assembly of shareholders in order for the latter to decide whenever an issue appears on which the Body of Nominees has a disagreement with the Fund Manager, which can not be resolved amiably by the two corporate bodies.

Also, the Fund Manager shall have at least the obligations established in the Terms of Reference and the IPS, all of them approved by Government Decision no. 1514/ 2008 and assumed by the offer submitted by the Fund Manager within the international tender for appointing the fund manager for Fondul Proprietatea S.A.;

- 6.2. The Fund Manager shall perform its duties under this Management Agreement in line with the Customer's best interest, consisting in responding to public offerings or other corporate actions in connection with the securities in the Portfolio.

## **7. AUTHORIZED TRANSACTIONS**

According to the legal regulations in force, respectively Companies Law no. 31/1990, Law no. 297/2004 regarding the capital market and secondary regulations issued by C.N.V.M., as well as Law no. 247/2005 regarding the reform in the areas of ownership and justice as well as some related measures – Title VII, Government Emergency Ordinance no. 81/2007 for the acceleration of the procedure of granting of indemnifications for the immovable assets abusively seized, Government's Decision no. 1481/2005 on the establishment of S.C. "Fondul Proprietatea" S.A. having attached the Constitutive Act of S.C. "Fondul Proprietatea" S.A., as further amended and completed, the IPS, Government Decision no. 1514/ 2008 regarding the approval of the regulation for organizing the international tender for selecting the fund manager of S.C. "Fondul Proprietatea" S.A. and of tender book, as well as all other incident legal provisions in force.

## **8. ASSET CUSTODY AND THE CUSTODIAN**

- 8.1. The assets of the Client shall be placed in custody according to legal provisions applicable to the AOPC. The custody agreement shall include clauses relating to the replacement of the Custodian and rules for safeguarding the shareholders in such situations.
- 8.2. All payments due for receipt by the Customer as dividends, interests, sales, proceeds, or with any title shall be paid directly to the Custodian on the Customer's behalf and in the Customer's account opened at the Custodian. The Fund Manager shall not be entitled at any time and in any form to hold cash or other assets from the Portfolio belonging to the Customer in any form.

## **9. FUND MANAGER REMUNERATION AND EXPENSES**

The Fund Manager's remuneration for its services under this Management Agreement is established according to the requirements in the Regulation for Organizing the International Tender, the Terms of Reference and the final offer formulated following the negotiations.

- 9.1. As remuneration for its services under this Management Agreement, the Fund Manager shall receive a management fee *a* in Romanian Lei according to the Annex to this Management Agreement.

- 9.2. Save as expressly provided otherwise in this Agreement, all costs and expenses incurred by the Fund Manager in the performance of its functions shall not be for the account of the Customer, but as the parties to this Agreement agree, shall be borne by the Fund Manager.

Customer shall bear, or shall reimburse the Fund Manager where the Fund Manager has incurred them, the following expenses:

- (a) expenses related to the payment of commissions owed to the Custodian;
- (b) expenses related to the commissions owed to intermediaries;
- (c) expenses related to commissions and fees owed to CNVM;
- (d) expenses related to the financial audit performed on Fondul Proprietatea and any other audits or valuations required by the legislation in force applicable to the Customer;
- (e) expenses related to the admission to trading of the financial instruments issued by Fondul Proprietatea, and any subsequent issues or offerings (expenses of intermediaries arranging the listing, expenses related to marketing and arranging presentations to build investor interest, and expenses related to ongoing reporting and disclosure obligations applicable to a issuers admitted to trading on a regulated market);
- (f) expenses related to the organising of GSA and communications with the shareholders and to the payment of commission for registrar services rendered by the Central Depository;
- (g) expenses related to the payment of fees and commissions owed to the Bucharest Stock Exchange and any other exchange on which the financial instruments of Fondul Proprietatea shall be admitted to trading;
- (h) expenses related to the mentions to the Trade Registry or documents issued by the Trade Registry;
- (i) expenses related to the payment of commission owed to the banks for banking services performed to Fondul Proprietatea, with the exception of the expenses mentioned in letter a);
- (j) expenses related to appointing legal advisers to act on behalf of Fondul Proprietatea, where necessary to protect the legal rights of Fondul Proprietatea and defend claims of third parties against Fondul Proprietatea;
- (k) expenses related to contracts with external service providers existing as of execution of this Management Agreement until the expiry or termination of the contract;
- (l) expenses related to compensation for the members of the BoN (in relation to their services and attendance at meetings, in accordance with the Constitutive Act and any applicable internal regulations) and for independent persons (not employees of the Fund Manager or its affiliates) acting as representatives of Fondul Proprietatea on the corporate bodies of companies in the Portfolio, where appropriate;
- (m) expenses relating to printing costs for Fondul Proprietatea's documentation;
- (n) expenses or charges imposed to the Customer by any tax authority related to the above expenses or otherwise applicable to the running of the business of the Customer;
- (o) other expenses approved by the BoN for the Customer in accordance with the Constitutive Act.

The expenses mentioned at points d), e), f) m) and j) above shall be made by the Fund Manager only with the prior written approval of the BoN.

Save as provided above, the Fund Manager shall be liable for the following out of pocket expenses incurred when performing its duties hereunder, including, but not limited to:

- (a) expenses in connection with mailing and telephone;
- (b) expenses in connection with business travels and accommodation;



- (c) expenses in connection with salaries, bonuses and all other remunerations granted by the Fund Manager to its employees and collaborators;
  - (d) all other expenses necessary to the functioning of the Fund Manager or its Romanian branch.
- 9.3. In the execution of this Management Agreement, the Fund Manager shall not use “soft dollars” practices. All transactions in connection to the Portfolio shall be made in the best interest of the Customer and according to the I.P.S., and shall be consistent with the principles of best execution.
- 9.4. Any director’s and other fees received by the Fund Manager’s employees, agents or representatives from any of the Portfolio companies will be either paid over to the Customer or deducted from the management fee.
- 9.5. The Fund Manager shall not claim any lien, right of retention, security interest or set off over the Portfolio or any assets or moneys in it.

## **10. PROVISION OF INFORMATION TO THE CUSTOMER AND ITS REPRESENTATIVES**

- 10.1. The Fund Manager will provide the Customer with such analysis of performance and periodical tabular presentations in connection to the Portfolio as reasonably requested by the Customer regularly. At least twice in a calendar year, and at a time mutually convenient to the parties, the Fund Manager will make a presentation to the Customer at the Customer’s offices in Bucharest in respect of the Portfolio for the previous six months and the Customer may visit the offices of the Fund Manager from time to time with a view to discussing market factors, the Portfolio and the operation of this Management Agreement.
- 10.2. The Fund Manager shall provide, quarterly and/or upon request, to the Customer written documents evidencing the transactions entered into between the Fund Manager, on behalf of the Customer, and third parties in connection with the Portfolio.
- 10.3. The Fund Manager shall keep accurate and detailed records of all investments, receipts, disbursements and other transactions relating to the Portfolio which it shall send to the Customer monthly.
- 10.4. The Fund Manager shall supply on demand to the Customer copies of all accounts entries in its books relating to the Portfolio. The Fund Manager will extend its normal working schedule as and when requested by the Customer and will provide, without unnecessary delay, all necessary facilities and assistance to the Customer’s auditors and other authorised representatives, including representatives of its shareholders and/or of the BoN, to audit and verify records of the Fund Manager relating to the securities, papers and other assets in the Portfolio. The scope of the audit shall not be limited by the Fund Manager and may include the examination of the accounting system, procedures, records, internal controls, and other areas considered necessary to examine by the Customer or such auditor in order to facilitate formulation by the Customer of any opinion on the costs, both direct and indirect, or other amounts billed to the Customer and the performance of the Portfolio and the Fund Manager. The Fund Manager shall co-operate as necessary for the performance of any such audits, including securing for the aforementioned auditors and other authorised representatives assistance from the Fund Manager’s compliance officer and internal audit.
- 10.5. The Fund Manager shall report to the Customer within two business days of its discovery of any non-compliance with the provisions of this Agreement (including the Schedules) and shall take all steps required to rectify such non-compliance as soon as possible.
- 10.6. The Fund Manager will liaise as necessary with the Custodian to enable the Custodian, on the Customer’s behalf, to fulfil any obligations to disclose shareholdings in companies in which the Portfolio is invested in accordance with relevant legislation and will provide timely information to the Custodian for this purpose.

## 11. CONFIDENTIALITY AND ACTS WITH FISCAL CONSEQUENCES

- 11.1 The Fund Manager will, except only in so far as:
- (a) otherwise required by laws or regulations; or
  - (b) necessary for effecting settlement and the performance of operations with the Custodian and sub custodian for the assets of the Portfolio; or
  - (c) otherwise permitted in writing by the Customer; or
  - (d) necessary for the purpose of setting up foreign exchange facilities (disclosure in this case shall be limited to credit and compliance departments of the banks), ensure that all matters relating to the Portfolio will be kept strictly confidential. Before the Fund Manager discloses confidential information under let. a), it shall inform the Customer to this end.
- 11.2 The Fund Manager shall not disclose information relating to the Portfolio to other companies of the Franklin Templeton financial group who carry on to a material extent any activities other than investment management outside those members of staff engaged in investment management functions, except in circumstances permitted in clause 11.1 (a)- (d). The Fund Manager shall in any event operate confidentiality procedures which oblige its staff only to disclose information relating to the Portfolio within the Fund Manager on a “need to know” basis and to observe strictest confidentiality in relation to price sensitive information.
- 11.3. The Fund Manager shall not knowingly take or omit to take any action which might prejudice the interests of the Customer with respect to the incident tax legislation.

## 12. TERMINATION

This Agreement may be terminated according to the legal regulations in force, as well as under the conditions established according to the Regulation for Organizing the International Tender, the Terms of Reference and the Final Offer resulting after negotiations and according to the this Management Agreement.

- 12.1 (a) The Customer may unilaterally and at its sole discretion terminate (“denuntare unilaterală” in Romanian language) this Management Agreement, at any time, on three months’ prior written notice to the Fund Manager. Should the termination of this Management Agreement occur, the mandate of the Fund Manager as Sole Director terminates accordingly.
- (b) The Fund Manager may terminate this Management Agreement, in the first three years from the date of the entering into force of this Management Agreement, with a 12 months’ prior written notice. Thereafter, the Fund Manager may terminate this Management Agreement on six months’ prior written notice to the Customer.
- (c) Notwithstanding the above the Fund Manager may terminate this Management Agreement with immediate effect by written notice to the Customer, if so required by any competent regulatory authority or if the Customer becomes the subject of any winding up order.
- (d) In the event of either party giving notice to terminate this Management Agreement, the Fund Manager shall (except to the extent otherwise required in writing by the Customer) continue to carry out all such acts as it is empowered and required to do by any part of this Management Agreement until the date of termination, except that it shall not, without the express instruction of the Customer, enter into any new commitment after the receipt of such notice. Termination of this Management Agreement shall not terminate rights and obligations which are capable of surviving termination, including in particular, duties of the Fund Manager to report to the Customer, to provide information to the Customer and to keep matters confidential. Transactions in progress shall be dealt with in accordance with the Customer’s instructions or, in the absence of such instructions, having regard to the best interests of the Portfolio.
- (e) In the event of the termination of the Agreement, the Customer has the duty to pay any outstanding fees due to the Fund Manager pro rata to the date of termination.

- 12.2. In case of default in performing the obligations assumed under this Management Agreement, this Management Agreement shall be terminated with full right without prior notice and without any court intervention.

### **13. AMENDMENT OF THE MANAGEMENT AGREEMENT AND ASSIGNMENT OF RIGHTS**

- 13.1 This Management Agreement may be amended at any time by an addendum signed by the legal representatives of the Fund Manager and of the Customer, with the prior approval of CNVM.
- 13.2 This Management Agreement is concluded in consideration of the person of the Fund Manager and the Fund Manager shall not be entitled to assign or to transfer any of its rights or obligations hereunder. The Fund Manager may not delegate or outsource the investment management or other functions to any entity ("Delegate") without the prior written consent of the Customer. Subject to the prior approval of CNVM and with the prior consent of the Customer, the Fund Manager may delegate the Portfolio management activity with observance of the legal provisions in force. The delegation of its functions to third parties shall not exonerate the Fund Manager of its liability.
- 13.3. The Fund Manager acknowledges and accepts that, if the legislation governing the Customer is amended so as to recognize the possibility for the Fondul Proprietatea to act as a self managed fund and outsource only the portfolio management activities, the Customer is free, at its own discretion, to decide on the change in the corporate governance structure of Fondul Proprietatea. If the corporate governance structure of Customer is changed, the Fund Manager accepts the consequences of such a change and, implicitly, agrees to amend the Management Agreement.

### **14. DURATION OF THE AGREEMENT**

- 14.1 This Management Agreement shall be effective when all the actions below are completed:
- (a) both parties have signed this Management Agreement;
  - (b) the resolution approved by the extraordinary GSA, has been published in the Official Gazette of Romania as well as its registration with the Bucharest Trade Registry upon the fulfilment of all necessary legal proceedings;
  - (c) the Fund Manager has properly completed the registration of its Romanian branch;
  - (d) the Fund Manager and the Customer conclude, in writing, a handover protocol ("proces verbal de predare primire" in Romanian language) of the Portfolio.
- Such handover protocol as mentioned at let. d) above will be concluded at the date when the money and/or investments were transferred and shall specify the money and/or investments transferred giving the value of all assets transferred.
- 14.2 Notwithstanding 14.1 the Fund Manager shall co-operate, as from the signature of this Management Agreement, with the members of the Directorate, Supervisory Board and of the Body of Nominees, as the case may be, according to their duties as established in the Constitutive Act of S.C. "Fondul Proprietatea" - S.A.
- 14.3 In compliance with the Constitutive Act the duration of the Fund Manager mandate is four years as of the effective date

### **15. COMMUNICATIONS, INSTRUCTIONS, NOTIFICATIONS**

- 15.1. All instructions, notifications and other communications from the Customer shall be made by any one of the individuals specified in a written mandate form supplied by the Customer to the Fund Manager (subject to any limits or requirements for more than one individual to act as specified in that mandate form) and/or by any other natural person whose title and/or name the Customer may notify to the Fund Manager in writing as an authorised individual. The Fund Manager shall be entitled to rely on any instruction, notification or communication given by such individual until further notification in writing without further enquiry, provided the instruction, notification or communication is given in one of the ways permitted in this Management Agreement and provided that oral instructions may not be relied upon by the Fund Manager.

The Fund Manager shall acknowledge such instructions in writing to the Customer's address set out above or to such other address as may be notified by the Customer in writing, and using such forms of written communication as agreed from time to time.

15.2. For the purpose of any communication between the Customer and the Fund Manager in relation to this Agreement, the Customer shall be represented by the BoN. Notifications to the Customer shall be given to one of the individuals specified in the written mandate form referred to in previous clause and/or to any other individual whose title and/or name the Customer may in future notify to the Fund Manager in writing for this purpose.

15.3. For the purposes of this agreement, written instructions sent by facsimile, letter or email are permitted.

## 16. PARTIES' LIABILITIES

16.1 The Fund Manager is liable for any damages suffered by the shareholders as a result of:

- infringement of normative acts and/or special regulations in force;
- infringement of Customer's internal rules
- deceit (in Romanian language "dol");
- default in performing the Agreement (in Romanian language "culpa in executarea contractului");
- failure to perform or defective performance, of this Management Agreement's obligations

16.2 The Fund Manager shall be liable for its negligence, wilful default, fraud or breach of this Management Agreement, or that of its Delegates, associated companies or its or their employees. As exception, the Fund Manager shall not be liable if it can show that the loss, liability, costs or expenses arose from events beyond its and its Delegates', associated companies' (or its or their employees') reasonable control provided it maintains reasonable back up and disaster recovery systems relating to the applicable loss, liability, costs or expenses.

16.3 The Fund Manager shall not be liable for brokers and dealers (not being associated companies of the Fund Manager) unless the Fund Manager has acted negligently in selecting, contracting or monitoring such persons. In selecting a broker-dealer for a particular transaction, the Fund Manager shall attempt to obtain best execution, considering such factors as net price, cost, speed and execution and settlement capabilities required by a transaction, volume, efficiency, nature of the transaction, confidentiality and other factors relevant for the envisaged transaction. Notwithstanding this responsibility, the Fund Manager will pursue counterparties on the Customer's behalf and account to the Customer for all recoveries against such counterparties.

16.4. (a) The Fund Manager agrees to indemnify and hold harmless the Customer, its employees, agents and representatives (any and all of whom are referred to as the "Indemnified Party") from and against any and all losses, claims, damages or liabilities (any and all of which are referred to as "Damages"), to which the Indemnified Party may become subject under law, including allegations of negligence or breach of fiduciary duty, or otherwise, insofar as such Damages are caused by or arise out of: (i) the wilful misconduct of the Fund Manager or any of its Delegates or associated companies (or its or their employees); ii) the breach by the Fund Manager or any of its Delegates or associated companies (or its or their employees) of any representation or warranty; (iii) the breach or non fulfillment by the Fund Manager or any of its Delegates or associated companies (or its or their employees) of any obligation pursuant to this Management Agreement; (iv) any untrue statement of a material fact contained in information furnished to an Indemnified Party by the Fund Manager or any of its Delegates or associated companies (or its or their employees) or the omission to state a material fact necessary in order to make the statements not misleading in light of the circumstances under which they were made; (v) the breach by the Fund Manager or any of its Delegates or associated companies (or its or their employees) of any fiduciary duty or infringement of applicable law.

- (b) The Fund Manager shall indemnify and shall hold harmless each Indemnified Party for all costs and expenses (including legal expenses) incurred by an Indemnified Party, in connection with any investigation, claim, action, suit, proceeding, demand or judgment, which is subject to the above indemnities.
  - (c) In the absence of Fund Manager's or its employees' negligence, fraud, wilful default or breach of this Management Agreement or that of any of its Delegates, associated companies or their respective employees, the Customer agrees to indemnify the Fund Manager from and against losses, claims, damages or liabilities established by definitive and irrevocable judgments, arising from following the Customer's specific instructions, provided that:
    - (i) The Fund Manager notifies the Customer in writing by fax or email (to such fax or email address as the BoN shall have notified the Fund Manager), as soon as reasonably practicable, but no later than 48 hours after becoming aware of the relevant definitive and irrevocable judgement establishing losses, claims, damages or liabilities as mentioned at let. c) above.claim or circumstance;
    - (ii) The Fund Manager does not make any admission of liability or agree to any settlement or compromise of any claim without the prior written consent of the Customer;
    - (iii) On a prompt and timely basis the Fund Manager shall have provided all such documents, information and assistance and have done all such acts and things as the Customer may have reasonably required in order to assist the Customer in relation to such claims; and
    - (iv) The Fund Manager had taken prior to the notification mentioned at pt. (i) above all reasonable steps necessary to mitigate such losses, claims, damages or liabilities.
- 16.5. The Fund Manager will maintain insurance for an insured amount of at least EUR 100 Million, including professional negligence and fidelity insurance so as to provide against, inter alia, any failure to duly perform this Management Agreement or to account to the Customer for any money or investments if that failure is due to: (i) a wrongful act, negligent act, error, omission, or dishonest or fraudulent act of any employee; (ii) forgery of instructions, cheques, security or currency and damage caused to office premises and contents due to burglary or vandalism; and (iii) electronic and computer crime. Particulars of such insurance will be provided to the Customer on request. The Fund Manager shall notify the Customer forthwith of any proposed or actual reduction in the level, failure to renew, possible avoidance or early termination of any such insurance coverage.
- 16.6. Upon request of the Customer, the Fund Manager shall provide to the Customer evidence that the premium for the insurance described at pt. 16.5 above has been paid.

## 17. FORCE MAJEURE

"Force majeure" means unpredictable and unavoidable circumstance that precludes either party from performing its obligations, and exonerates the party that invokes the force majeure provided it is not at fault.

Force majeure protects the party invoking it from responsibility.

## 18. APPLICABLE LAW AND JURISDICTION

18.1. This Management Agreement is governed by and shall be construed in accordance with the laws of Romania.

18.2. Dispute Resolution

- (a) Any dispute or difference arising out of or in connection with the Management Agreement, including without limitation any disputes regarding its valid conclusion, existence, interpretation, nullity, breach, amendment, termination in any way of this Management Agreement (each a "Dispute"), that cannot be resolved by amicable negotiations within a reasonable period of time from the notice served by any of the Parties relating to the potential Dispute shall

be finally resolved by the ICC International Court of Arbitration Paris under the ICC Rules of Arbitration. The Party requesting the initiation of the arbitration proceedings shall serve the other Party with a written notice that such proceedings will be initiated.

- (b) The place of the arbitration shall be Paris, the language of the arbitration shall be English, and the tribunal shall consist of three (3) arbitrators appointed in accordance with the ICC Rules.
- (c) Any award of the arbitral tribunal rendered in accordance with this clause shall be final and binding on the Parties.
- (d) The award shall be voluntarily executed by the parties in any jurisdiction, or else award enforcement proceedings may be instituted in any court in the country where the recognition of such arbitration award is requested.
- (e) In the event of a Dispute, the Party prevailing in such dispute shall be entitled to recover all expenses, including without limitation reasonable legal fees and expenses and arbitral and court-related costs, incurred in ascertaining such Party's rights under this Management Agreement and preparation of application and enforcement of such Party's rights, as determined by the arbitration tribunal, whether or not it was necessary for such Party to institute any enforcement Proceedings.

18.3. Notwithstanding the above, the Fund Manager acknowledges that any decision of the Customer to terminate the Sole Director mandate of the Fund Manager will take effect pursuant to the provisions of point 12.1. pt. a) above.

## 19. REPRESENTATIONS

- 19.1. The Customer hereby represents and certifies that it is the beneficial owner of the assets comprised in the Portfolio and the net income there from will accrue to the benefit of the Customer.
- 19.2. The Customer warrants and undertakes that on the date this Management Agreement becomes effective, the Portfolio will be free from any charge, lien, pledge or encumbrance (other than those resulting from normal custodianship and settlement arrangements). If the Customer shall create in the future or be informed about the creation of any charge, lien, pledge or encumbrance which may affect the Fund Manager's freedom trade in such securities, it undertakes that it will inform the Fund Manager of such action as soon as reasonably practicable.
- 19.3. The Customer warrants and undertakes that the Customer has and will have all necessary consents and powers in its constitution and authorizations (all of which are fully enforceable in accordance with the terms thereof) to enter into this Management Agreement and to enable all transactions permitted under this Management Agreement to be effected and that all laws and regulations in Romania have been and will be complied with in respect of each such transaction.
- 19.4. The Fund Manager hereby represents and warrants to the Customer that:
  - (i) the Fund Manager has full power and authority to execute and deliver and to carry out the terms of this Management Agreement and this Management Agreement constitutes a legal, valid and binding obligation of the Fund Manager;
  - (ii) the Fund Manager is duly incorporated in Romania or in an EU Member State;
  - (iii) the Fund Manager has the legal capacity, as per the law applicable in its country of origin, and authorisation issued by the relevant capital markets/financial authority to provide investment management services to an entity such as the Customer;
  - (iv) the Fund Manager has special knowledge and skill relevant to the services for which it is engaged under this Management Agreement;
  - (v) the Fund Manager is not the subject of any regulatory or governmental actions, claims or investigations relevant to its investment management activities which could impair its ability to carry out the terms of this Management Agreement;



- (vi) neither the Fund Manager nor any of its subsidiaries, divisions or other affiliates involved with the affairs of the Customer has ever had its registration revoked, suspended or its activities restricted;
- (vii) the Fund Manager maintains adequate back up and disaster recovery systems and procedures;
- (viii) the Fund Manager takes investment decisions solely with reference to the interests of its clients; and
- (ix) its financial statements are subject to regular audit by financial auditors;
- (x) to the best of the Fund Manager's knowledge, neither the execution, delivery, nor performance of this Management Agreement by the Fund Manager will violate any law, statute, order, rule, or regulation of, or judgment, order or decree by, any federal, state, local, or foreign court or governmental authority, domestic or foreign, to which the Fund Manager is subject nor will the same constitute a breach of, or default under, provisions of any agreement or contract to which it is a party or by which it is bound

The Fund Manager shall notify the Customer forthwith of any event or matter which would, if these warranties were repeated, render them untrue, inaccurate or misleading.

- 19.5. The Fund Manager shall promptly notify the Customer in writing of changes in the portfolio managers primarily responsible for the Portfolio or in senior staff responsible for setting the investment and business policy of the Fund Manager. The portfolio managers and senior staff shall, for the purpose of this clause, include all staff named in a list which shall be provided by the Fund Manager within 5 days from the signing date of this Management Agreement.

## 20. TRANSITORY AND FINAL PROVISIONS

- 20.1 If any of the provisions of this Management Agreement is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions of this Management Agreement, and this Management Agreement shall be construed and enforced as if such provisions had not been included.
- 20.2. The personnel proposed by the Fund Manager in the initial offer submitted during the international tender for appointing the fund manager for Fondul Proprietatea S.A. cannot be modified unless deemed necessary. In case of a need to change the personnel for any reason, the Fund Manager shall promptly appoint other personnel with equal or superior qualifications and professional experience and with the same time allocation for the Client upon written approval of the BoN.

## 21. SIGNATORIES

This Management Agreement will be signed in Romanian language and executed in six separate copies, all of which taken together constitute the agreement.

AS WITNESS the hands of the duly authorised representatives of the parties on the date which appears first on page 1.

Signed by and for  
FRANKLIN TEMPLETON INVESTMENT  
MANAGEMENT LIMITED

DAVID EYNON SMART

Signed by and for  
S.C. FONDUL PROPRIETATEA S.A.

ENACHE JIRU

## Annex

The fee due to the Fund Manager in accordance with Art. 9.1. of this Agreement shall be calculated and paid in RON by the Customer in compliance with the following provisions:

1. The fee shall be calculated based on a fixed commission, resulted from the final offer, applied to the notional amount according to the following formula:

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

where

the fixed commission = the number of basis points per year from the final offer;

1 basis point = 0.0001;

1 year = 365 days

2. The notional amount is the following:
  - (a) prior to the Customer listing, the notional amount is the average of the monthly values of the Customer's net assets, calculated within the quarter for which the payment is made;
  - (b) subsequent to the Customer listing, the notional amount is the market value of the Property Fund which is defined as the market capitalization of the Property Fund (the number of issued shares multiplied by the medium market price of the Property Fund shares calculated for the last 90 days of trading session in a calendar year or the number of the trading sessions left before the end of the year, in case there are less than 90 days of trading session left from the listing until the end of the year).
3. The fee shall be paid as follows:
  - a) prior to the Customer listing, quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which payment is made;
  - b) subsequent to the Customer listing, annually, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the calendar year for which payment is made;

The invoices shall be submitted to the Custodian of the Customer's assets.

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

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

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

**Comment:**

The final form of the present agreement has been approved by the Ordinary General Shareholders' Meeting of SC „FONDUL PROPRIETATEA” SA (Decision no. 6/ Febr. 10, 2010).



## Annex 4

of the Annual Report 2010

### Documents of Resignation/Lay Off for The Member of the Board and Management of Fondul Proprietatea S.A. During 2010

1. Decision no. 1/February 10, 2010 of the Ordinary General Shareholders' Meeting of S.C. „FONDUL PROPRIETATEA” S.A

Lay off for the members of the Supervisory Board appointed by the decision of the Fund's Ordinary General Shareholders' Meeting held on April 27, 2009:

- Trandafir Corin Ioan
- Mircea Ursache
- Ene Dinga
- Ancuța Gianina Opre
- Goean Eduard Romulus
- Iordache Grațiela Denisa
- Ioan Adam

#### DECISION NO. 1 OF THE GENERAL ORDINARY ASSEMBLY OF SHAREHOLDERS OF S.C. FONDUL PROPRIETATEA S.A.

17 Apolodor St., 2nd floor, registered with the Trade Register  
under number J40/21901/2005, fiscal registration code 18253260

Today, 10 February 2010, at 12:00, the shareholders of S.C. Fondul Proprietatea S.A. have met during the General Ordinary Assembly of Shareholders of S.C. Fondul Proprietatea S.A. (the “Assembly”), at its first convocation, at Pullman Hotel (the former Sofitel Hotel), 2 Expozitiei Blvd., New York Hall, Bucharest.

Upon the opening of the works 83 shareholders are present, holding a number of 10,417,316,997 shares representing 73.1525% of the subscribed registered capital and 72.1501% of the paid registered capital representing 70.5086% of the voting rights.

The meeting chairman, Mr. Ionel Popescu, general manager, chairman of the Board of Directors observes that the Assembly is statutory and legally established and it can adopt valid decisions regarding the items on the agenda.

Having regard to:

- The notice to attend the General Ordinary Assembly of Shareholders published in the Official Gazette part IV number 39 of 07.01.2010, as well as in “Romania Libera” newspaper on 11.01.2010,
- The completed notice to attend the General Ordinary Assembly of Shareholders published in the Official Gazette part IV number 223 of 29.01.2010, as well as in “Romania Libera” newspaper on 01.02.2010,
- The provisions of the Articles of incorporation of S.C. Fondul Proprietatea S.A. approved by the Decision of the General Assembly of Shareholders of S.C. Fondul Proprietatea S.A. dated 05.03.2008,
- The provisions of Law 31/1990 regarding commercial companies, republished as subsequently amended and completed,

Following the debates on the agenda, the shareholders of S.C Fondul Proprietatea S.A. have decided as follows:

1. To choose Mr Victor Cionga, a shareholder of S.C Fondul Proprietatea S.A., as meeting secretary of the Assembly according to the provisions of art. 129(2) in Law 31/1990.

This item was adopted by 8,618,502,625 votes representing 100% of the validly expressed votes. No votes against and no abstentions were registered. 2,607,985 votes were cancelled.

2. To revoke the members of the Surveillance Council (corresponding to point 1 on the agenda of the meeting).

This item was adopted by 9,019,262,318 votes representing 99.9697% of the validly expressed votes. 2,250,000 votes against, representing 0.0249% and 486,000 abstentions representing 0.0054% were registered. No votes were cancelled.

3. To set up the date of 25.02.2010 as registration date, in accordance with the provisions of art. 238 (1) in Law no. 297/2004 regarding the capital market, as subsequently amended and completed. (corresponding to point 11 on the agenda of the meeting).

This item was adopted by 9,008,155,341 votes representing 100% of the validly expressed votes. No votes against or abstentions were registered. No votes were cancelled.

4. To mandate Mr Ionel Popescu – General Manager – Chairman of the Board of Directors to sign the decisions of the general ordinary assembly, as well as any other assembly-related documents and perform all the procedures and formalities provided by law for the purpose of fulfilling the decisions of the Assembly, including the formalities for the publication and registration of the Assembly's decisions with the Trade Register Office and with any other public institutions. The person empowered by the Assembly will have the right to delegate this empowerment to any person it deems as appropriate. (corresponding to point 12 on the agenda of the meeting).

This item was adopted by 9,007,795,341 votes representing 100% of the validly expressed votes. No votes against or abstentions were registered. No votes were cancelled.

Having regard to the aforementioned, this decision was drafted and signed on behalf of the shareholders by Mr. Ionel Popescu, General Manager and Chairman of the Board of Directors.

Ionel Popescu, General Manager, Chairman of the Board of Directors

## 2. Decision no. 2/February 10, 2010 of the Ordinary General Shareholders' Meeting of S.C. „FONDUL PROPRIETATEA” S.A

Appointment of the following persons as members in the Supervisory Board:

- Croitoru Lucian
- Goean Eduard Romulus
- Pogea Gheorghe
- Iordache Grațiela Denisa
- Ene Dinga
- Dumitrean Crinuța Nicoleta
- Trandafir Corin Ioan

**DECISION NO. 2 OF THE GENERAL ORDINARY  
ASSEMBLY OF SHAREHOLDERS OF  
S.C. FONDUL PROPRIETATEA S.A.**

17 Apolodor St., 2nd floor, registered with the Trade Register  
under number J40/21901/2005, fiscal registration code 18253260

Today, 10 February 2010, at 12:00, the shareholders of S.C. Fondul Proprietatea S.A. have met during the General Ordinary Assembly of Shareholders of S.C. Fondul Proprietatea S.A. (the “Assembly”), at its first convocation, at Pullman Hotel (the former Sofitel Hotel), 2 Expozitiei Blvd., New York Hall, Bucharest.

Upon the opening of the works 83 shareholders are present, holding a number of 10,417,316,997 shares representing 73.1525% of the subscribed registered capital and 72.1501% of the paid registered capital representing 70.5086% of the voting rights.

The meeting chairman, Mr. Ionel Popescu, general manager, chairman of the Board of Directors observes that the Assembly is statutory and legally established and it can adopt valid decisions regarding the items on the agenda.

Having regard to:

- The notice to attend the General Ordinary Assembly of Shareholders published in the Official Gazette part IV number 39 of 07.01.2010, as well as in “Romania Libera” newspaper on 11.01.2010,
- The completed notice to attend the General Ordinary Assembly of Shareholders published in the Official Gazette part IV number 223 of 29.01.2010, as well as in “Romania Libera” newspaper on 01.02.2010
- The provisions of the Articles of incorporation of S.C. Fondul Proprietatea S.A. approved by the Decision of the General Assembly of Shareholders of S.C. Fondul Proprietatea S.A. dated 05.03.2008,
- The provisions of Law no. 31/1990 regarding commercial companies, republished as subsequently amended and completed,

Following the debates on the agenda, the shareholders of S.C. Fondul Proprietatea S.A. have decided as follows:

1. To choose Mr Victor Cionga, a shareholder of S.C. Fondul Proprietatea S.A., as meeting secretary of the Assembly according to the provisions of art. 129(2) in Law 31/1990.

This item was adopted by 8,618,502,625 votes representing 100% of the validly expressed votes. No votes against and no abstentions were registered. 2,607,985 votes were cancelled.

2. To appoint the following persons as members of the Surveillance Council, for a 4-year mandate:
  - Croitoru Lucian, a Romanian citizen, born in Otopeni commune, Ilfov county, on 13.02.1957, having the domicile in Bucharest, sector 1, 2 Mexic St., block 13, 5th floor, ap. 17, holder of identity card series DP no. 069999 issued by IBP-DEP on 01.11.2001, valid until 13.02.2011, PNC 1570213400537, chosen by 8,981,978,840 votes “pro” representing 99.4678% of the validly expressed votes;
  - Pogeia Gheorghe, a Romanian citizen, born in Pestisu Mic, Hunedoara county, on 21.12.1955, having the domicile in Hunedoara municipality, Hunedoara county 14 Avram Iancu St., ap. 38, holder of identity card series HD no. 485645 issued by SPCLEP Hunedoara on 05.01.2001, valid until 21.12.2070, PNC 1551 21400259, chosen by 8,807,951,070 votes “pro” representing 97.5853% of the validly expressed votes;
  - Iordache Gratiela Denisa, a Romanian citizen, born in Negresti commune, Vaslui county, on 27.05.1965, having the domicile in Bucharest, 27 Blvd. 1 Mai, block C7, entrance 1, 9th floor, ap. 38, sector 1, holder of identity card series RX no. 225636 issued by SEP on 03.10.2003, valid until 27.05.2013, PNC 2650527400472, chosen by 8,981,215,796 votes “pro” representing 99.4494% of the validly expressed votes;

- Ene Dinga, a Romanian citizen, born in Furceni commune, Galati county, on 10.04.1956, having the domicile in Bucharest, 90 Ionescu Grigore St. block TA8, entrance 1, ap. 28, sector 2, holder of identity card series RR no. 116427 issued by Section 7 on 16.06.2000, valid until 10.04.2010, PNC 1560410400634, chosen by 8,946,492,159 votes “pro” representing 99.1621% of the validly expressed votes;
- Dumitrean Crinuta Nicoleta, born in Bistrita municipality, Bistrita Nasaud county, on 14.10.1974, having the domicile in Bucharest, 8-10 Plantelor St., block A, 9th floor, ap. 30, sector 2, holder of identity card series RT no. 536199 issued by SPCEP S2 office no. 3 on 18.01.2008, valid until 14.10.2018, PNC 2741014060790, chosen by 8,942,064,856 votes “pro” representing 99.1420% of the validly expressed votes;
- Goean Eduard Romulus, a Romanian citizen, born in Galati, Galati county, on 17.09.1969, having the domicile in Galati, Galati county, 2 Parcului St. block 12, entrance 2, 1st floor, ap. 13, holder of identity card series GL no. 274993 issued by Galati Mun. Police on 29.05.2003, valid until 17.09.2013, PNC 1690917170322, chosen by 8,773,688,030 votes “pro” representing 97.7165% of the validly expressed votes;
- Trandafir Corin Ioan, a Romanian citizen, born in Sibiu, Sibiu county, on 14.09.1968, having the domicile in Bucharest, 6 Iancu de Huneadoara Blvd., block H4, entrance 2, ap. 22, sector 1, holder of identity card series RR no. 209492 issued by SEP on 29.05.2002, valid until 14.09.2012, PNC 1680914323930, chosen by 9,008,137,086 votes “pro” representing 99.8684% of the validly expressed votes;

This item was the 2nd on the agenda of the meeting.

3. To set up the date of 25.02.2010 as registration date, in accordance with the provisions of art. 238 (1) in Law no. 297/2004 regarding the capital market, as subsequently amended and completed. (corresponding to point 11 on the agenda of the meeting).

This item was adopted by 9,008,155,341 votes representing 100% of the validly expressed votes. No votes against or abstentions were registered. No votes were cancelled.

4. To mandate Mr Ionel Popescu – General Manager – Chairman of the Board of Directors to sign the decisions of the general ordinary assembly of shareholders, as well as any other assembly-related documents and perform all the procedures and formalities provided by law for the purpose of fulfilling the decisions of the Assembly, including the formalities for the publication and registration of the Assembly’s decisions with the Trade Register Office and with any other public institutions. The person empowered by the Assembly will have the right to delegate this empowerment to any person it deems as appropriate. (corresponding to point 12 on the agenda of the meeting).

This item was adopted by 9,007,795,341 votes representing 100% of the validly expressed votes. No votes against or abstentions were registered. No votes were cancelled.

Having regard to the aforementioned, this decision was drafted and signed on behalf of the shareholders by Mr. Ionel Popescu, General Manager and Chairman of the Board of Directors.

Ionel Popescu, General Manager, Chairman of the Board of Directors

3. Decision no. 2 September 06, 2010 of the Extraordinary General Shareholders' Meeting of S.C. „FONDUL PROPRIETATEA” S.A published in the Official Gazette of Romania Part IV no. 4113/29.09.2010

Appointment of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch as sole administrator and investment manager of S.C. „Fondul Proprietatea” S.A., having its headquarters in Bucharest, 78 – 80 Buzești St., 7 - 8 floors, district 1, fiscal identification code 25851096, registered at the Trade Register under no. J40/8587/2009, legally represented by Grzegorz Maciej Konieczny and Adrian Cighi

**DECISION NO. 2/06.09.2010  
OF THE GENERAL EXTRAORDINARY ASSEMBLY OF  
SHAREHOLDERS OF S.C. FONDUL PROPRIETATEA S.A.**

Registered office: 17 Apolodor St., 2nd floor, sector 5, Bucharest,  
registered with the Trade Register under number J40/21901/2005,  
fiscal registration code 18253260

Today, 06 September 2010, at 12:00, the shareholders of S.C. Fondul Proprietatea S.A. have met during the General Extraordinary Assembly of Shareholders of S.C. Fondul Proprietatea S.A. (the “Assembly”), at its first convocation, at World Trade Center Pullman Hotel, New York Hall, 10 Montreal Square, sector 1, Bucharest.

Upon the opening of the works 309 shareholders are found to be present or represented, holding a number of 9,012,958,286 voting rights, representing 69.44% of the total voting rights.

The meeting chairman, Mr. Ionel Popescu, general manager, chairman of the Board of Directors observes that the Assembly is statutory and legally established and it can adopt valid decisions regarding the items on the agenda.

Having regard to:

- The notice to attend the General Extraordinary Assembly of Shareholders published in the Official Gazette part IV number 3390 of 04.08.2010, in “Romania Libera” newspaper on 06.08.2010, as well as on the website of S.C. Fondul Proprietatea S.A. – [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro) on the same date
- The completed notice to attend the General Extraordinary Assembly of Shareholders published in the Official Gazette part IV number 3641 of 23.08.2010, in “Romania Libera” newspaper on 24.08.2010, as well as on the website of S.C. Fondul Proprietatea S.A. – [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro) on the same date
- The provisions of the Articles of incorporation of S.C. Fondul Proprietatea S.A. approved by the Decision of the General Assembly of Shareholders of S.C. Fondul Proprietatea S.A. dated 05.03.2008,
- The provisions of Law 31/1990 regarding commercial companies, republished as subsequently amended and completed,
- Art. 147-158 in Regulation no. 15/2004 regarding the authorization and functioning of investment management companies, collective placement bodies and depositories, issued by the National Securities Commission
- The provisions of Law no. 297/2004 regarding the capital market, as subsequently amended and completed
- The provisions of the Government Decision no. 1514/2008 approving the regulation for the organization of the international tender to designate the management company of “Fondul Proprietatea” S.A. and the Tender Book;
- Law no. 247/2005 regarding the reform in the fields of property and justice, as well as some measures, as subsequently amended and completed

- The meeting of the general assembly of shareholders dated 7 September 2009 unanimously approved the final offer submitted by Franklin Templeton Investment Management Limited London representing the management fees to be paid by SC Fondul Proprietatea SA, in accordance with the provisions of the Government Decision no. 1514/2008, based on the documentation sent by the Selection Commission to SC Fondul Proprietatea SA
- The meeting of the general assembly of shareholders dated 7 September 2009 unanimously approved the terms and conditions of the contract to be concluded with Franklin Templeton Investment Management Limited London, based on the documentation sent by the Selection Commission to SC Fondul Proprietatea SA
- The meeting of the general assembly of shareholders dated 7 September 2009 unanimously approved the investment policy undertaken by Franklin Templeton Investment Management Limited London, based on the documentation sent by the Selection Commission to SC Fondul Proprietatea SA
- The meeting of the general assembly of shareholders dated 10 February 2010 unanimously approved the final form of the management contract to be concluded by SC Fondul Proprietatea SA with Franklin Templeton Investment Management Ltd London,
- The management contract between SC Fondul Proprietatea SA in its capacity of managed company, and Franklin Templeton Investment Management Limited London, in its capacity of future sole director, was signed on 25 February 2010
- The decision of the General Extraordinary Assembly of Shareholders no. 1/06.09.2010 approved the new Articles of incorporation of S.C. Fondul Proprietatea S.A., including the change of the management system of SC Fondul Proprietatea SA,

Following the debates on the agenda, **the shareholders of S.C Fondul Proprietatea S.A. have decided as follows:**

- I. **To choose Mr. Dan Paul, a shareholder of S.C Fondul Proprietatea S.A., as meeting secretary** of the Assembly according to the provisions of art. 129(2) in Law 31/1990.  
  
This item was adopted by 7,104,497,760 votes representing 87.42% of the validly expressed votes. No votes against and no abstentions were registered. No votes were cancelled.
- II. **Within the process of changing the management system of SC Fondul Proprietatea SA, to appoint Franklin Templeton Investment Management Limited London Romanian Branch**, headquartered in Bucharest, 78-80 Buzesti St., 7-8th floors, sector 1, Sole registration code 25851096, Trade Register No. J40/8587/2009, legally represented by **Mr. Grzegorz Maciej Konieczny**, a Polish citizen born on 22.11.1970 in Slupsk, Poland, having the declared domicile in Poland, identified with the identity card issued by the Polish Authorities on 14.05.2009, valid until 14.05.2019, personal number 7011220001, and by **Mr. Adrian Cighi**, a Romanian citizen, having the domicile in Cluj-Napoca Municipality, 14 Trifoiului St., block C5, ap. 6, Cluj county, identified with IC series K.X no. 550837 issued by SPCLEP Cluj-Napoca on 31.05.2007, PNC 1830810314000, based under the management contract signed on 25 February 2010, in capacity of **sole director of S.C. Fondul Proprietatea S.A.** under the conditions established during the meeting of the general assembly of shareholders of 7 September 2009 approving: the final offer submitted by Franklin Templeton Investment Management Limited London representing the management fees to be paid by SC Fondul Proprietatea SA, the terms and conditions of the contract to be concluded by SC Fondul Proprietatea SA with Franklin Templeton Investment Management Limited London and the investment policy undertaken by Franklin Templeton Investment Management Limited London, as well as under the conditions established during the meeting of 10 February 2010, by which the management contract between SC Fondul Proprietatea SA and Franklin Templeton Investment Management Limited London was approved.



The appointment of Franklin Templeton Investment Management Limited London Romanian Branch in capacity of sole director of SC Fondul Proprietatea SA will produce effects on the date when this decision is published in the Official Gazette part IV, but not before the entry into force of the new Articles of Incorporation of SC Fondul Proprietatea SA, approved by the Decision of the General Extraordinary Assembly of Shareholders no. 1/06.09.2010.

This item was adopted by 9,000,920,631 votes representing 99.97% of the validly expressed votes. 2,000,000 votes against, representing 0.02% of the validly expressed votes, and no abstentions were registered. No votes were cancelled.

- III. **To approve the date of 27.09.2010 as registration date**, in accordance with the provisions of art. 238 (1) in Law 297/2004 regarding the capital market, as subsequently amended and completed.

This item was adopted by 8,605,409,038 votes representing 99.977% of the validly expressed votes. 200,000 votes against, representing 0.002% of the validly expressed votes, and 1,705,957 abstentions, that is 0.019% of the validly expressed votes, were registered. No votes were cancelled.

- IV. **To approve the mandate of Mr Ionel Popescu – General Manager – Chairman of the Board of Directors** to sign the decisions of the general extraordinary assembly, as well as any other assembly-related documents and perform all the procedures and formalities provided by law for the purpose of fulfilling the decisions of the Assembly, including the formalities for the publication and registration of the Assembly's decisions with the Trade Register Office and with any other public institutions. The person empowered by the Assembly will have the right to delegate this empowerment to any person it deems as appropriate.

This item was adopted by 8,602,353,489 votes representing 99.978% of the validly expressed votes. 1,705,957 votes against, representing 0.019% of the validly expressed votes, and 104,050 abstentions, that is 0.001% of the validly expressed votes, were registered. No votes were cancelled.

Having regard to the aforementioned, this decision was drafted and signed on behalf of the shareholders by Ionel Popescu, General Manager and Chairman of the Board of Directors.

**Ionel Popescu, General Manager, Chairman of the Board of Directors**

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4. Decision no. 9/ September 06, 2010 of the Ordinary General Shareholders' Meeting of S.C. „FONDUL PROPRIETATEA” S.A published in the Official Gazette of Romania Part IV no. 4113/29.09.2010

Appointment as members in the Body of Nominees of the following persons, for a 3 years mandate:

- Trandafir Corin – Ioan
- Maurer – George Monica
- Drăgoi Bogdan – Alexandru
- Mîndruțescu Sorin – Mihai
- Bușu Cristian.

#### **DECISION NO. 9/06.09.2010 OF THE GENERAL ORDINARY ASSEMBLY OF SHAREHOLDERS OF S.C. FONDUL PROPRIETATEA S.A.**

Registered office: 17 Apolodor St., 2nd floor, sector 5, Bucharest,  
registered with the Trade Register under number J40/21901/2005,  
fiscal registration code 18253260

Today, 06 September 2010, at 14:00, the shareholders of S.C. Fondul Proprietatea S.A. have met during the General Ordinary Assembly of Shareholders of S.C. Fondul Proprietatea S.A. (the “Assembly”), at its first convocation, at World Trade Center Pullman Hotel, New York Hall, 10 Montreal Square, sector 1, Bucharest.

Upon the opening of the works 309 shareholders are found to be present or represented, holding a number of 9,012,958,286 voting rights representing 69.44% of the total voting rights.

The meeting chairman, Mr. Ionel Popescu, general manager, chairman of the Board of Directors observes that the Assembly is statutory and legally established and it can adopt valid decisions regarding the items on the agenda.

Having regard to:

- The notice to attend the General Ordinary Assembly of Shareholders published in the Official Gazette part IV number 3390 of 04.08.2010, as well as in “Romania Libera” newspaper on 06.08.2010,
- The completed notice to attend the General Ordinary Assembly of Shareholders published in the Official Gazette part IV number 3641 of 23.08.2010, as well as in “Romania Libera” newspaper on 24.08.2010
- The provisions of the Articles of incorporation of S.C. Fondul Proprietatea S.A. approved by the Decision of the General Assembly of Shareholders of S.C. Fondul Proprietatea S.A. dated 05.03.2008,
- The provisions of Law no. 31/1990 regarding commercial companies, republished as subsequently amended and completed,
- Art. 147-158 in Regulation no. 15/2004 regarding the authorization and functioning of investment management companies, collective placement bodies and depositories, issued by the National Securities Commission
- The provisions of Law no. 297/2004 regarding the capital market, as subsequently amended and completed
- The provisions of the Government Decision no. 1514/2008 approving the regulation for the organization of the international tender to designate the management company of “Fondul Proprietatea” S.A. and the Tender Book;
- Law no. 247/2005 regarding the reform in the fields of property and justice, as well as some measures, as subsequently amended and completed



- The decision of the General Extraordinary Assembly of Shareholders no. 1/06.09.2010 approved the new Articles of incorporation of S.C. Fondul Proprietatea S.A. changing the management system of SC Fondul Proprietatea SA

Following the debates on the agenda, **the shareholders of S.C Fondul Proprietatea S.A. have decided as follows:**

- I. **To choose Mr Dan Paul, a shareholder of S.C Fondul Proprietatea S.A.,** as meeting secretary of the Assembly according to the provisions of art. 129(2) in Law 31/1990.

This item was adopted by 7,104,497,760 votes representing 87.42% of the validly expressed votes. No votes against and no abstentions were registered. No votes were cancelled.

- II. **To appoint the following persons as members of the Representatives' Committee, for a 3-year mandate:**

- **TRANDAFIR CORIN-IOAN**, a Romanian citizen, born in Sibiu, Sibiu county, on 14.09.1968, having the domicile in Bucharest, 6 Iancu de Huneadoara Blvd., block H4, entrance 2, ap. 22, sector 1, holder of identity card series RR no. 209492 issued by SEP on 29.05.2002, valid until 14.09.2012, PNC 1680914323930, chosen by 8,425,747,395 votes "pro" representing 93.90% of the validly expressed votes;
- **MAURER-GEORGE MONICA**, a Romanian citizen, having the domicile in Bucharest, 13 Emanoil Porumbaru St., ap. 1, sector 1, identified with identity card series DP no. 129367 issued by I.N.E.P. on 23.05.2008, PNC 2740105410012, chosen by 7,616,206,809 votes "pro" representing 84.88% of the validly expressed votes;
- **DRAGOI BOGDAN-ALEXANDRU**, a Romanian citizen, having the domicile in Bucharest, 104-106 Aurel Vlaicu St., sector 2, identified with identity card series RD no. 340823 issued by Section 6 Police on 28.09.2003, PNC 1800527410023, chosen by 7,870,111,011 votes "pro" representing 87.71% of the validly expressed votes;
- **MINDRUTESCU SORIN-MIHAI**, a Romanian citizen, having the domicile in Bucharest, 80 Av. Vasile Traian, ap. 4, sector 1, identified with identity card series RT no. 411186 issued by SPCEP S1 office no. 4 on 24.05.2006, PNC 1690728034984, chosen by 7,168,159,224 votes "pro" representing 79.88% of the validly expressed votes and
- **BUSU CRISTIAN**, a Romanian citizen, having the domicile in Agigea commune, 6 Paltinului St., Constanta county, identified with identity card series K.T. no. 703105 issued by SPCLEP Techirghiol on 03.04.2008, PNC 1790224131251, chosen by 7,993,675,811 votes "pro" representing 89.08% of the validly expressed votes;

The appointment of the members of the Representatives' Committee will produce effects on the date when this decision is published in the Official Gazette part IV, but not before the entry into force of the new Articles of Incorporation of SC Fondul Proprietatea SA, approved by the Decision of the General Extraordinary Assembly of Shareholders no. 1/06.09.2010.

- III. **To set up the date of 27.09.2010 as registration date,** in accordance with the provisions of art. 238 (1) in Law no. 297/2004 regarding the capital market, as subsequently amended and completed.

This item was adopted by 8,887,094,509 votes representing 99.99% of the validly expressed votes. 279,898 votes against representing 0.003% of the validly expressed votes and no abstentions were registered. No votes were cancelled.

- IV. **To mandate the General Manager** – Chairman of the Board of Directors to sign the decisions of the general ordinary assembly of shareholders, as well as any other assembly-related documents and perform all the procedures and formalities provided by law for the purpose of fulfilling the decisions of the Assembly, including the formalities for the publication and registration of the Assembly's decisions with the Trade Register Office and with any other public institutions. The person empowered by the Assembly will have the right to delegate this empowerment to any person it deems as appropriate.

This item was adopted by 8,883,655,173 votes representing 99.98% of the validly expressed votes. 1,705,957 votes against, representing 0.01% of the validly expressed votes, and no abstentions were registered. No votes were cancelled.

Having regard to the aforementioned, this decision was drafted and signed on behalf of the shareholders by Mr. Ionel Popescu, General Manager and Chairman of the Board of Directors.

**Ionel Popescu, General Manager, Chairman of the Board of Directors**



< GAIN FROM OUR PERSPECTIVE >



**Franklin Templeton Investment  
Management Limited United Kingdom,  
Bucharest Branch**  
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Romania



**S.C. Fondul Proprietatea S.A**  
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