

2010 PRELIMINARY
RESULTS



FONDUL PROPRIETATEA



FONDUL
PROPRIETATEA



FRANKLIN TEMPLETON
INVESTMENTS

Introduction

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, as Sole Administrator and Fund Manager for SC Fondul Proprietatea SA, is pleased to present the preliminary results of SC Fondul Proprietatea SA (the “Fund” or “Fondul”) for 2010, with preliminary unaudited net profits of RON 456.2 million and total shareholders’ equity of RON 12,139.3 million¹. The Fund reported a Romanian National Securities Commission (“CNVM”) net asset valuation as at 31 December of RON 15,328.2 million, or RON 1.1124 per share.

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

	% Holding
Ministry of Public Finance	38.88
Romanian Private Individuals	31.48
Foreign Institutional	13.60
Foreign Private Individuals	10.15
Romanian Institutional	5.89
	100

Appointment of Fund Manager and Bucharest Stock Exchange Listing

2010 was a momentous year for the Fund as it finally entered into active management under Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch (“FTIML” or the “Fund Manager”) on 29 September, after a tender process which had begun in early 2009². The appointment of FTIML was soon followed by the Fund’s successful listing on the regulated market of the Bucharest Stock Exchange (“BSE”) on 25 January 2011: a historic event which finally created an open market for existing shareholders to realise their investment, and for new domestic and foreign investors to acquire exposure to a diverse and exciting portfolio of Romanian companies. With the help and co-operation of CNVM, the BSE and the Central Depository, nominee accounts were implemented for the Fund’s shares from the first day of trading on the BSE. The Fund was the first Romanian stock to benefit from this. Since the listing, the Fund’s shares have been trading within the range 0.6750 to 0.6020 RON per share with more than a billion shares traded, representing more than 8% of the Fund’s issued share capital. The discount of share price to net asset valuation has ranged between 46.1% and 41.6%³.

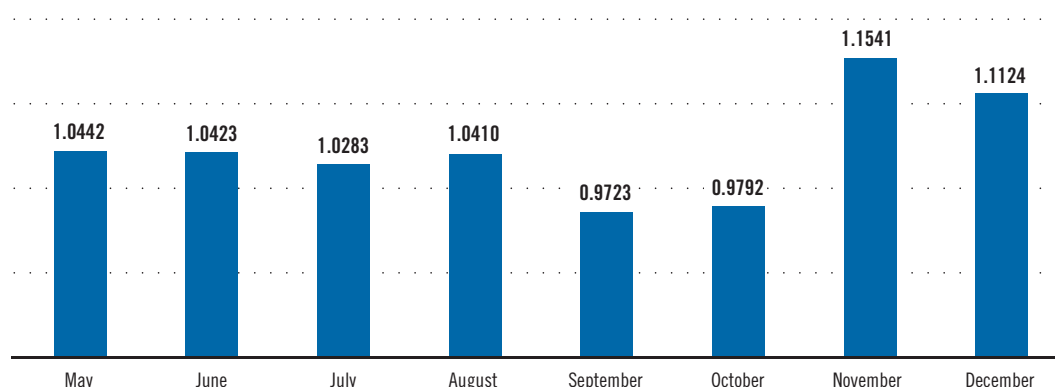
Net Asset Valuation

The Fund was registered with the Romanian National Securities Commission (“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 Fondul 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 on the Fund’s website at www.fondulproprietatea.ro.

NAV Methodology

During late 2010 FTIML collaborated with CNVM to bring about significant changes to the net asset valuation 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 quoted 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 17/25.11.2010, after discussions between the Fund Manager and CNVM on best international practice 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. The Fund Manager first applied fully the revised CNVM valuation standards to the 31 December 2010 NAV.

The following chart shows information on all month-end NAVs per share (in RON) published in 2010:



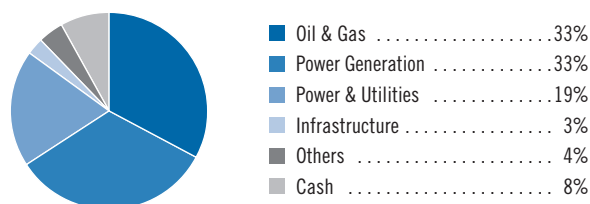
*Starting with November NAV, methodology was changed by CNVM in accordance with Disposal of measures 17/25.11.2010.

Investment Strategy and Portfolio Analysis

The Fund's investment objective remains long-term capital appreciation via investments mainly in Romanian equity 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. At year-end, 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 ranged from less than 2% up to 100% (during 2010). The portfolio is heavily weighted in the power, oil and gas sectors (more than 85% of NAV), offering investors a unique exposure to the Romanian energy sector.

Portfolio Structure—by Sector

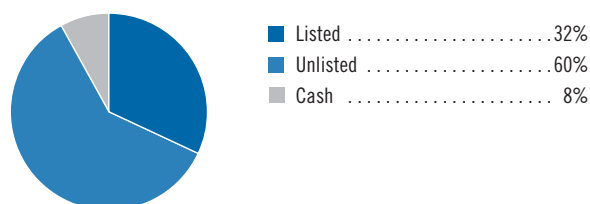
- The portfolio is heavily weighted in the power, oil and gas sectors (approx. 85% of the NAV), offering unique exposure to the energy sector.
- Net cash includes bank deposits, current accounts, treasury bills, as well as other current assets, and is net of all liabilities and provisions.



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

Portfolio Structure— Equity Investments: Listed v.s. 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 official NAV.

Top 10 Equity Investments

No.	Name	NAV		%
		mn RON	mn EUR ¹	
1	OMV Petrom SA	3,816.0	890.6	24.9%
2	Hidroelectrica SA	3,287.0	767.1	21.4%
3	Romgaz SA	1,245.7	290.7	8.1%
4	Nuclearelectrica SA	705.6	164.7	4.6%
5	Complexul Energetic Turceni SA	530.1	123.7	3.5%
6	Transgaz SA	494.1	115.3	3.2%
7	Enel Distributie Muntenia	324.6	75.8	2.1%
8	CN Aeroporturi Bucuresti SA	322.4	75.2	2.1%
9	GDF Suez Energy Romania (formerly Distrigaz Sud)	302.6	70.6	2.0%
10	ENEL Distributie Banat SA	278.1	64.9	1.8%
Top 10 portfolio holdings		11,306.2	2,638.6	73.8%
Total financial assets (portfolio holdings)		14,079.3	3,285.9	91.9%
NAV as at 31.12.2010		15,328.2	3,577.3	100%
NAV/share (RON/share and EUR/share)		1.1124	0.2596	

Key Events for the Portfolio Holdings

During 2010 there were several significant events for companies held in the portfolio, as follows:

- 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 Registry 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.
- 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.
- 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 19th of November 2010. Fondul has subsequently initiated legal action against the shareholders' decisions and as a result, the merger plan is now suspended in court.

¹ 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 official NAV.

- On 8th 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.

Since the appointment of FTIML as the Fund Manager, several key corporate governance actions have been taken in relation with the portfolio companies that in our view will benefit both the companies and other stakeholders. These include:

- Fondul representatives have been appointed to Boards of Directors;
- Proper procedures have been insisted upon for convening and holding shareholder meetings;
- All major decisions have been closely monitored and discussed with companies and majority share holders in order to ensure equal treatment of all shareholders;
- Legal actions have been initiated or will be initiated for decisions where the Fund Manager believes shareholder rights were not respected;
- Detailed reviews of the investment plans of portfolio companies.

Outlook

While 2010 was an exceptionally active and productive year for the Fund, there is still much work to be done. The Fund Manager looks forward to working with the Fund's shareholders, portfolio companies, the Romanian Government and the investment community both locally and internationally, to continue the promotion of Romanian capital markets and to further increase interest in the Fund's shares. The Fund Manager has already announced plans to review the possibility of a secondary listing of the Fund's shares on another market, and the detailed analysis phase of this project has already begun. We plan to announce further details on this initiative by the end of June 2011. Any further action will require shareholders' approval.

The Fund Manager has already announced a buy-back program which will allow the Fund to repurchase its own shares in the market under certain conditions. Shareholders have already granted permission for this until 1 March 2012 for up to 10% of outstanding shares that can be acquired only within the share price range of 0.2 to 1.5 RON per share. Procedures regarding the buy-back program must comply with EU regulations. As a result, Fondul can not purchase more than 25% of the average daily volume of the shares in any one day, and as 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 Fondul 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.

In 2011 the Fund Manager will seek to implement the following investment philosophy for the Fund:

- value orientation;
- long term investment horizon, and
- a bottom up approach.

The strategy will observe the Fund's investment restrictions. The principal ones are:

- a minimum 70% of assets held in Romanian listed shares;
- up to 12% of assets in foreign shares;
- up to 20% of assets in unlisted shares (Fondul's legacy unlisted holdings are exempt from this rule);
- no more than 10% of assets held in assets issued by any one listed issuer (Fondul's legacy unlisted holdings are exempt from this rule).

It is important to note that, subject to the above criteria, there are no restrictions on which sectors the Fund can invest in, or on the amount which can be invested in any individual sector.

Detailed analysis is conducted for each individual security in the portfolio as well as for any prospective investments. Diversification across attractive sectors and companies will be sought. A major challenge is the listing of portfolio companies. The Fund Manager is committed to doing everything in its power in this regard and will support all appropriate initiatives of the Romanian Government to privatise the state controlled companies through the Bucharest Stock Exchange.

Dividend

In 2010 the Fund distributed a dividend of 1.1 billion RON or 0.0816 RON per share, payable to shareholders with effect from October which represented the distributable profits of both 2008 and 2009. By the end of 2010, shareholders had collected 98% of total dividends distributed. At this stage, the likely gross dividend payable in 2011 will be approximately 0.0156 RON per share. As this is only a preliminary announcement and the financial statements are still subject to audit by the Fund's auditor Deloitte and approval by General Shareholder Meeting, it is important to note that the **final dividend payable may be for a different amount**. The preliminary dividend value is based on the Fund's dividend policy, 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."*

Investor Communications

FTIML, as the Fund Manager, aims to keep shareholders aware of new information and developments about the Fund as it becomes available. Therefore, we aim to ensure proactive communication on any events with a potential impact on the valuation or share price of the Fund.

With 65% of the equity portfolio unlisted, we understand the difficulties of obtaining information about companies in the Fund's holdings and we endeavour to make sure that shareholders, prospective investors, analysts, or financial advisors will have access to the latest available financial results published for these companies on the Fondul Proprietatea website (www.fondulproprietatea.ro).

We wish to ensure that all stakeholders receive monthly information about the NAV, which we make public. All important developments in our mandate to manage Fondul Proprietatea and generate the most value for the shareholders, as well as the latest financial reports are made available via the Bucharest Stock Exchange (www.bvb.ro). For additional information, you can contact us directly by email at investor.relations@fondulproprietatea.ro, or by telephone at 021 200 96 00 (within Romania) or at +40 21 200 96 00 from overseas.

The Fund Manager looks forward to another active and productive year for Fondul which we hope will continue to see improved liquidity in the Romanian capital market and will return further value to shareholders.

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

For Grzegorz Maciej KONIECZNY

Mihaela Moleavin

Empowered by the Decision of the sole director of S.C. FONDUL PROPRIETATEA S.A.,
Franklin Templeton Investment Management Ltd.
United Kingdom Bucharest Branch no. 12 / 11 February 2011

1. Figures quoted are calculated using Romanian Accounting Standards, and are unaudited.

2. The Fund appointed Franklin Templeton Investment Management Limited as its investment manager and that entity's Bucharest Branch was then registered as the Fund's sole director.

3. Information includes data up to 11th February 2011.

Sources: Franklin Templeton Investments Management Ltd, and Bucharest Stock Exchange.

Preliminary Unaudited 2010 Financial Results

The financial information presented below is prepared in accordance with Romanian Accounting Standards and is unconsolidated and unaudited. The final audited versions of these figures which will be presented to shareholders at General Shareholder Meeting for approval may differ from those shown below.

Balance Sheet

	As at 31 December 2009 Audited (RON million)	As at 31 December 2010 Unaudited (RON million)
Tangible assets	0.5	—
Financial assets	9,552.2	10,890.5
Total non-current assets	9,552.7	10,890.5
Current assets	2,666.8	1,332.5
Total assets	12,219.5	12,223.0
Liabilities and Provisions	22.5	83.7
Shareholders' equity	12,197.0	12,139.3
Total liabilities & shareholders' equity	12,219.5	12,223.0

The Fund's total assets showed a very slight increase of RON 3.5 million in the year.

The increase of RON 1,338.3 million in the value of financial assets (being the Fund's listed and unlisted equity investments) was mainly due to the reversal of prior years' impairment adjustments (mainly for OMV Petrom and Hidroelectrica). According to Romanian Accounting Standards, equity investments, both listed and unlisted are valued at cost (initial value) less any adjustments for impairment. For listed investments, the impairment adjustment is any adverse difference between market closing prices and cost, while for unlisted or illiquid listed equity investments, the impairment test compares the cost to the investment's equity value per its latest financial statements. Impairment adjustments were recorded through the profit and loss account in 2006 and 2007 and through a separate reserves account within shareholders' equity since 2008.

The significant fall in the value of current assets by RON 1,334.3 million was mainly due to the dividend payment to shareholders which commenced in October 2010.

Total liabilities (including provisions) increased by RON 61.2 million by 31 December 2010, mainly because of the value of uncollected dividends payable to shareholders as well as accruals for fees payable to CNVM and the Fund Manager and liabilities relating to contributions received from the main shareholder, the Ministry of Public Finance, which have not yet been converted into share capital.

Income Statement

	For the 12 months to 31 December 2009 Audited (RON million)	For the 12 months to 31 December 2010 Unaudited (RON million)
Revenues from current activity, out of which:	1,320.4	576.6
Revenues from financial assets ¹	118.2	179.0
Interest income	142.5	131.5
Reversal of impairment adjustments & provisions	31.6	217.4
Revenues from disposal of financial assets	980.2	—
Revenues from foreign exchange differences	47.7	47.7
Other income from current activity ²	0.2	1.0
Expenses from current activity, out of which:	486.2	109.2
Expenses from disposal of financial assets	428.8	—
Expenses from foreign exchange differences	33.0	56.9
Other expenses from current activity ³	24.4	52.3
Gross profit	834.2	467.4
Income tax expense	104.1	11.2
Net profit	730.1	456.2

1. Revenues from financial assets represent dividend income from portfolio companies.

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

3. Other expenses from current activity include principally salary costs, and fees due to the Fund Manager, CNVM and the depositary.

The overall reduction in 2010 net profits by RON 273.9 million can be attributed to several factors. Firstly, revenues from financial assets increased in 2010 by RON 60.8 million due to higher dividend distributions paid by portfolio companies. A large positive variance also arose in impairment adjustments and provisions, most of which is accounted for by the reversal in 2010 of the RON 216.6 million Hidroelectrica impairment adjustment that was originally booked in 2006 and 2007. Adverse effects in 2010 arose due to higher profits in 2009 resulting from net gains on sales of financial assets of RON 551.4 million, while other expenses from current activity increased in 2010 by RON 27.9 million due to new fees payable following the Fund's registration with CNVM and the commencement of the depositary's contract in August, as well as the start of the Fund Manager's contract in September.

< GAIN FROM OUR PERSPECTIVE >



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