

15 November 2011

Fondul Proprietatea



2011 Q3 Results Presentation

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**FONDUL
PROPRIETATEA**



**FRANKLIN TEMPLETON
INVESTMENTS**

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Read the issue prospectus before investing in this fund/investment firm. The Fund's prospectus and amendments are available at www.fondulproprietatea.ro. The headquarters of SC Fondul Proprietatea SA are at 78-80 Buzesti Str, 7th Floor, Bucharest District 1, 011017, Romania. Fondul Proprietatea's Fiscal Identification Code (CIF) is 18253260 and Trade Registry registration no is J40/21901/2005. The subscribed share capital is RON 13,778,392,208 and paid share capital is RON 13,405,864,536. This presentation is issued by Franklin Templeton Investment Management Limited ("FTIML"), registered with CNVM under no. PJM05SSAM/400001/14.09.2009, which is authorized and regulated in the UK by the Financial Services Authority with Register Number 121779, registered as a foreign equivalent of an investment adviser with the US Securities Exchange Commission, and the Romanian branch is regulated by the Romanian National Securities Commission.

Date: 10 November 2011

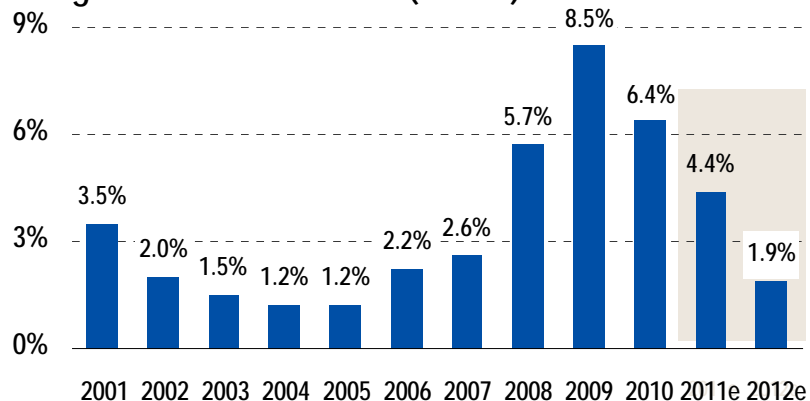


Romania Macroeconomic Update



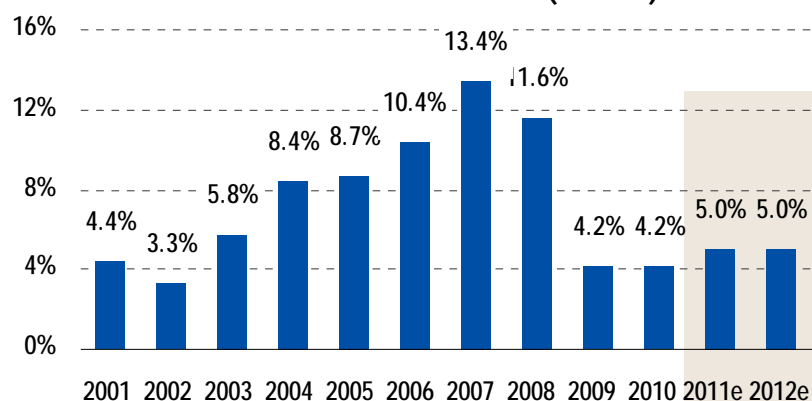
Romania–Macroeconomic Update

Budget Deficit 2001–2012e (%GDP)



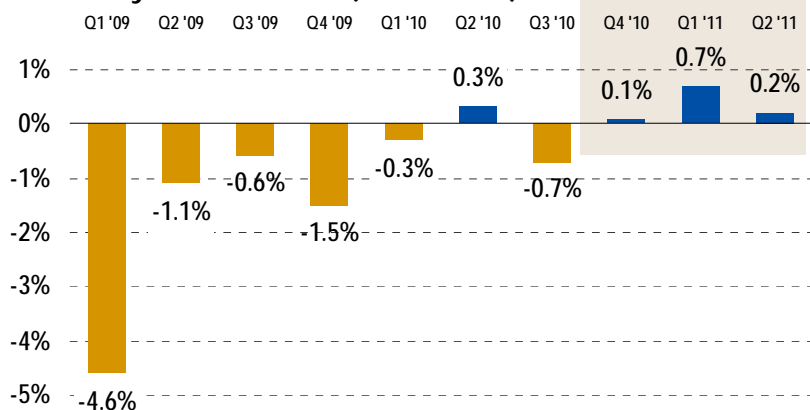
Source: EUROSTAT e- IMF target for 2011

Current Account Deficit 2001–2012e (%GDP)



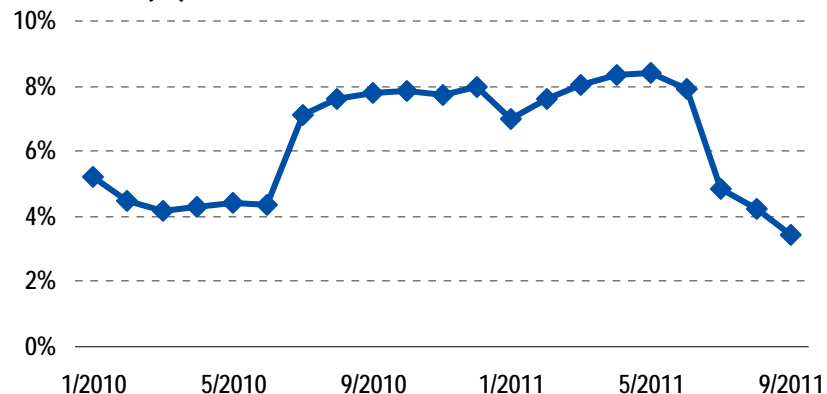
Source: Bloomberg e – Estimate for 2011 and 2012

Quarterly GDP Growth (2009–2011)



Source: Bloomberg

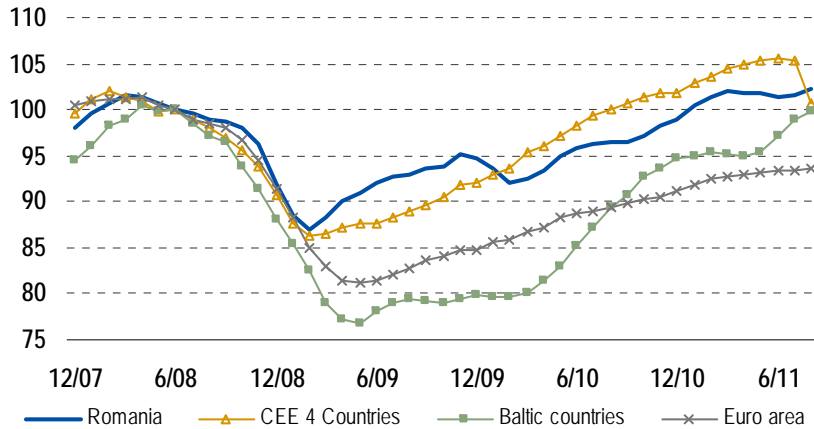
Inflation (%)



Source: National Institute of Statistics

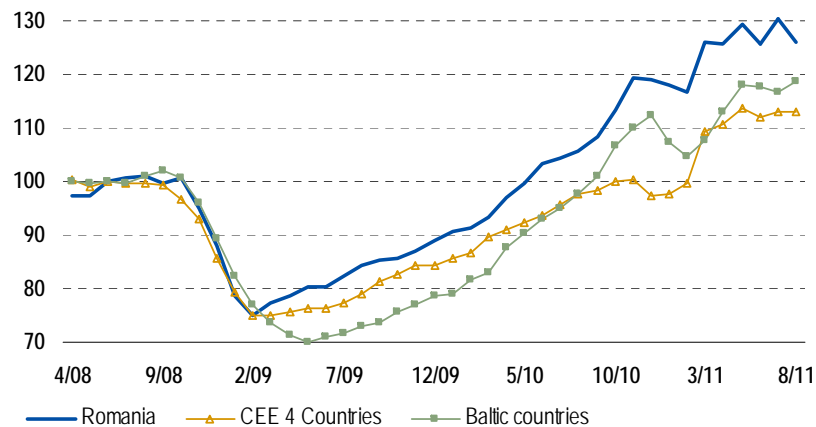
Recovery Underway

Industrial output 2008–2011



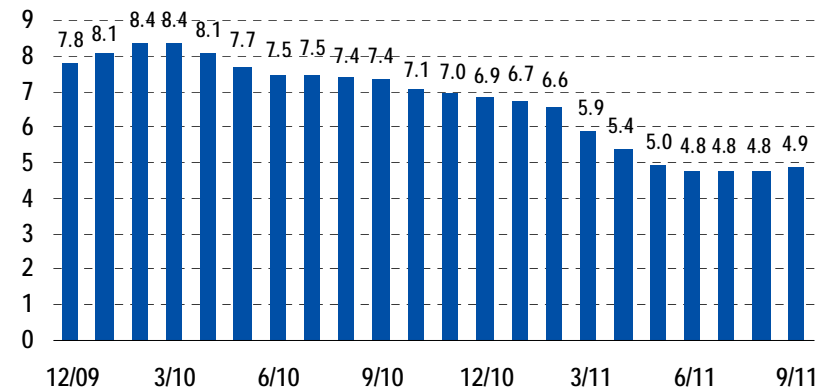
Source: EUROSTAT

Monthly FOB exports: 2008–2011



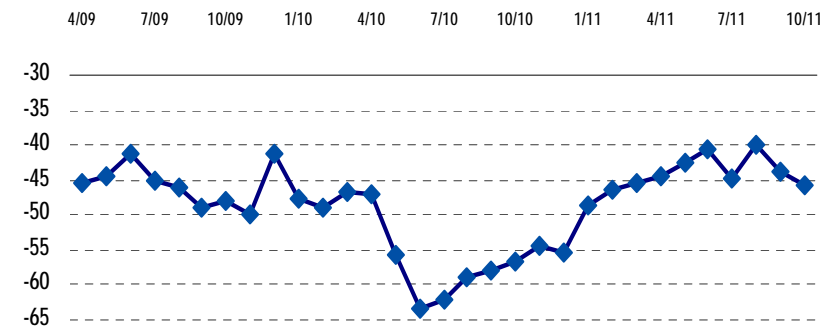
Source: EUROSTAT

Monthly unemployment 2009–2011 (%)



Source: National Institute of Statistics

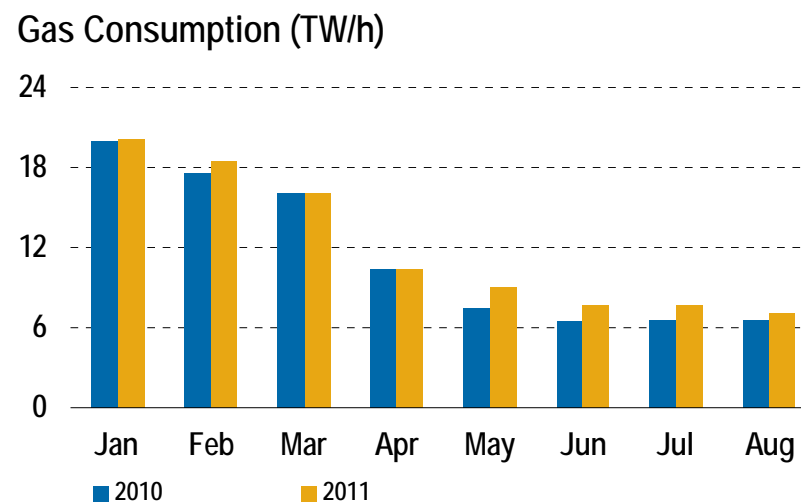
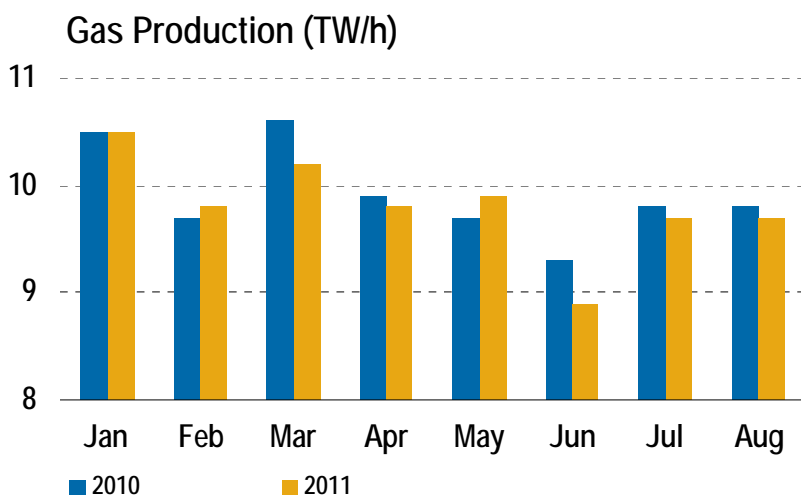
Consumer confidence index 2009–2011



Source: European Commission

Gas Production / Consumption 2011

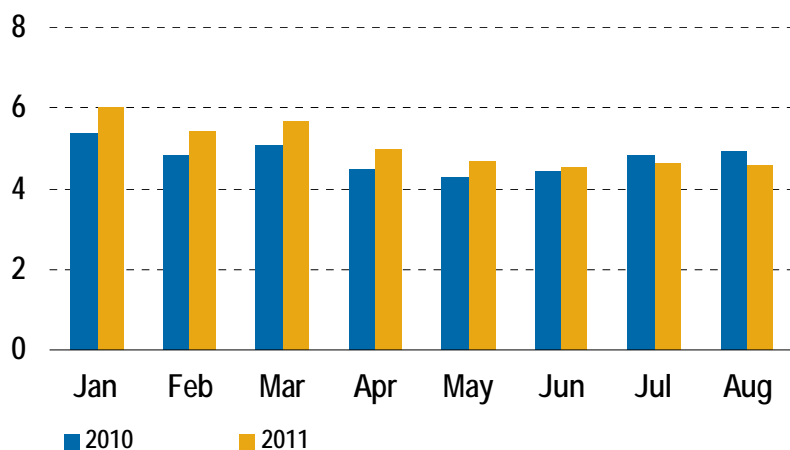
- 1% YoY decrease in gas production for the first 8 months, from 79.3 TW/h to 78.5 TW/h
- 6% YoY increase in gas consumption for the first 8 months, from 90.9 TW/h to 96.3 TW/h



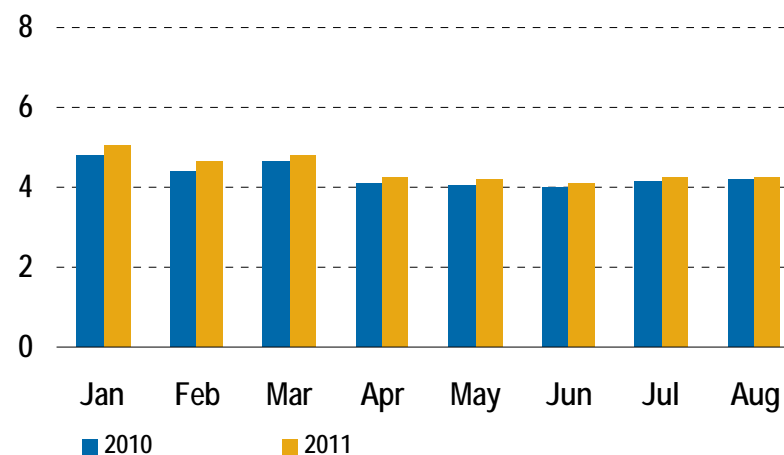
Electricity Production / Consumption 2011

- 6% YoY increase in electricity production for the first 8 months, from 38.1 TW/h to 40.5 TW/h
- 3% YoY increase in electricity consumption for the first 8 months, from 34.4 TW/h to 35.5 TW/h

Electricity Production (TW/h)



Electricity Internal Consumption (TW/h)

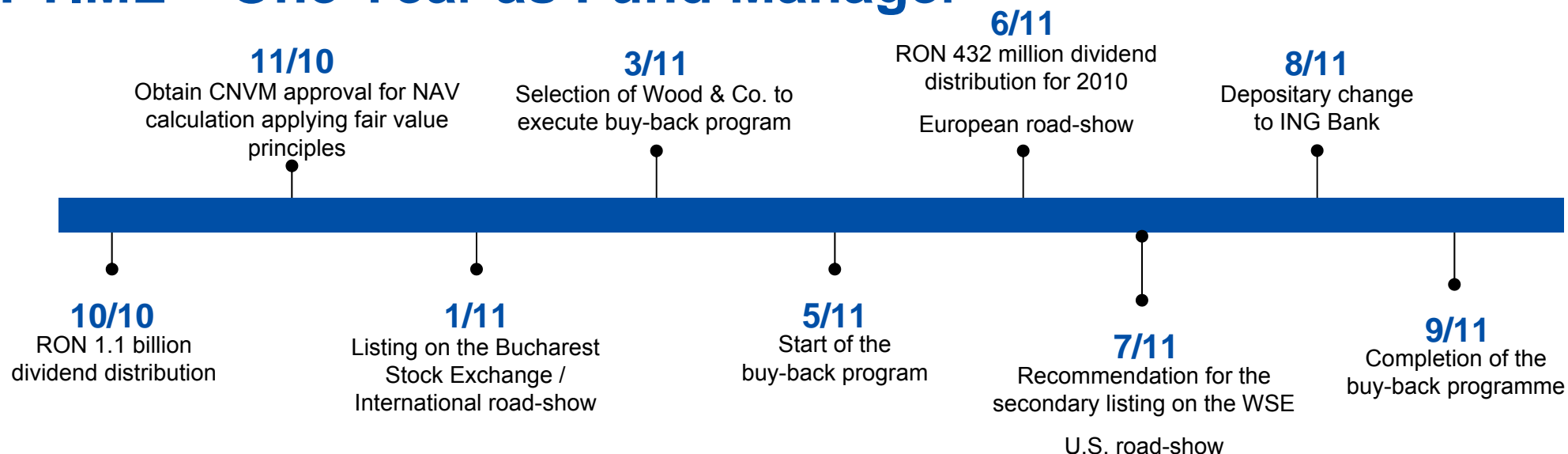


Fund Information

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FTIML – One Year as Fund Manager



Key Milestones

- **October 2010:** Distribution of a RON 1.1 billion dividend (RON 0.0816 per share) for 2008 and 2009
- **November 2010:** S.C. Fondul Proprietatea S.A. becomes the first fund in Romania to obtain CNVM approval to publish a NAV applying fair value principles
- **December 2010:** Publication of the monthly NAV using the fair value methodology approved by CNVM
- **January 2011:** Listing on the Bucharest Stock Exchange / International road-show
- **March 2011:** Selected Wood & Co. to execute the buy-back programme
- **May 2011:** Start of the buy-back program
- **June 2011:** Distribution of a RON 432 million dividend (RON 0.03141 per share) for 2010 / European road-show
- **July 2011:** Begin project to investigate secondary listing on the Warsaw Stock Exchange / U.S. road-show
- **August 2011:** Change in Depository to ING
- **September 2011:** Completion of the buy-back programme



The Fund – Key Facts

| Fund Details as of 31 October 2011 | |
|-------------------------------------|-------------------|
| Base Currency | RON |
| Fund Launch Date | 28 December 2005 |
| Franklin Templeton Appointment Date | 29 September 2010 |
| Listing Date | 25 January 2011 |

| Values* | RON | EUR** |
|---------------------------|----------------|--------|
| NAV | 14.9 bn | 3.5 bn |
| NAV/Share | 1.1147 | 0.2578 |
| Price/Share*** | 0.4512 | 0.1043 |
| Discount | 59.5% | 59.5% |
| Number of Shares in Issue | 13,778,392,208 | |
| Number of Paid Shares | 13,405,864,536 | |

* As per 31 October 2011, based on CNVM methodology

**Computed using the EUR/RON FX rate as of 31 October 2011

***Share price as at 31 October 2011

| Dividends Paid | RON | EUR* |
|----------------|----------|--------|
| 2006 | 0.0025 | 0.0070 |
| 2007 | 0.0066 | 0.0018 |
| 2008 | – | – |
| 2009 | 0.0816** | 0.0193 |
| 2010 | 0.03141 | 0.0077 |

*Computed using the end of period EUR/RON FX rate

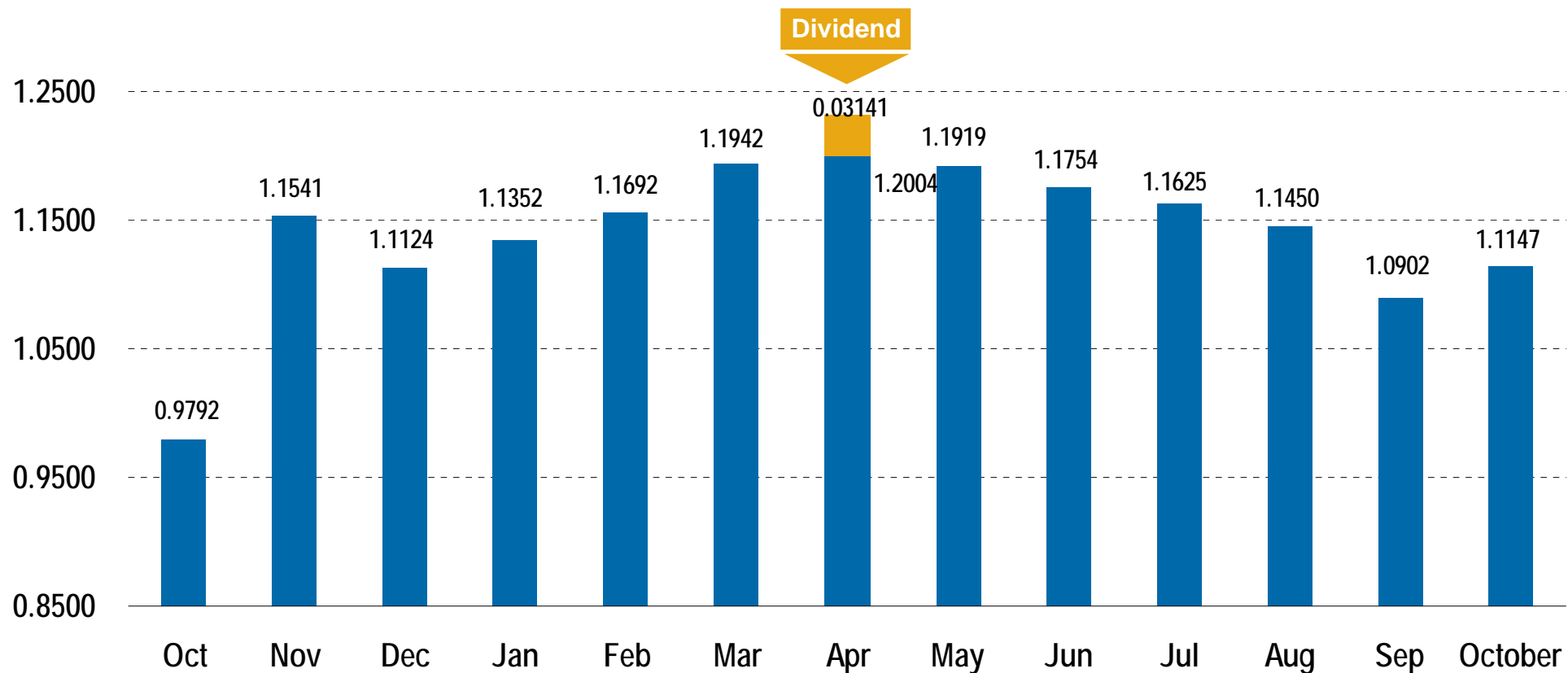
**Distribution for the years 2008 and 2009

| Country Breakdown (% of NAV) | |
|------------------------------|--------|
| Romania | 98.81% |
| Austria | 1.19% |

Net Asset Value

NAV (RON) / Share

Cumulative Performance Since December 2010: +2.8%



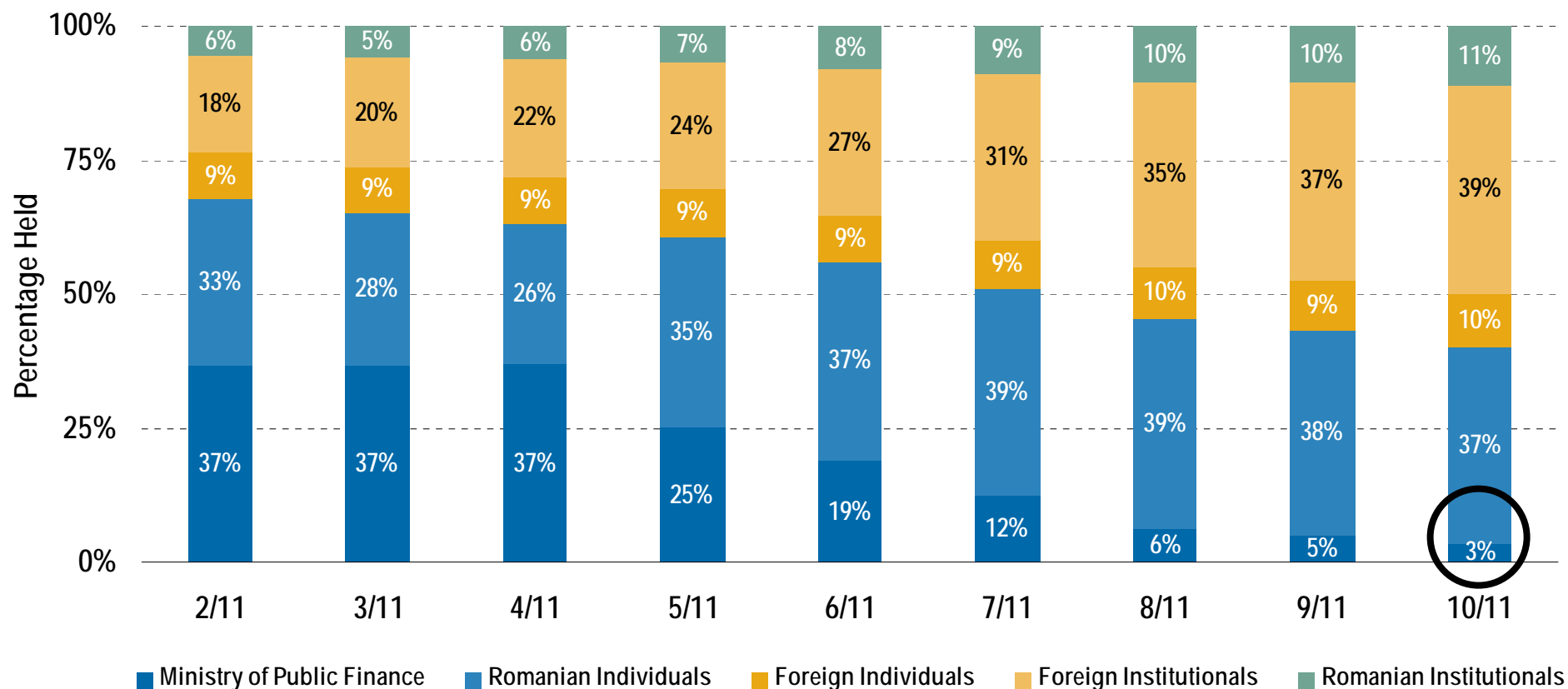
The NAV methodology was changed by CNVM in accordance with Disposal of Measure 17 in November 2010, which first impacted the November NAV

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Shareholders Structure

Shareholders Structure* (% Held) Evolution



Source: Central Depository

*Shareholder structure as at 31 October 2011 based on paid share capital

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Unpaid Share Capital of the Fund

Options for the Blocked Shares

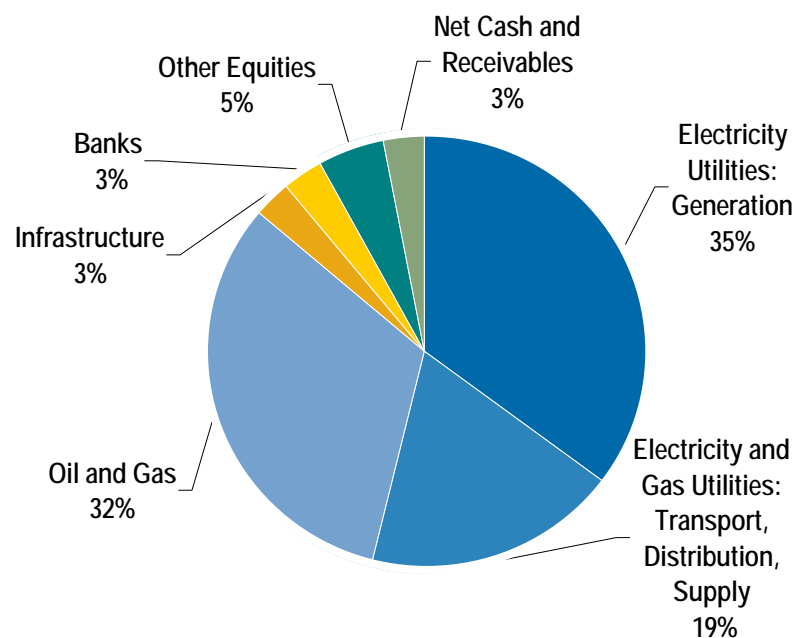
- 1 Romanian State to pay RON 372,527,672 to the Fund (financing and effects)
- 2 Start litigation against Romanian State to receive RON 372,527,672
- 3 Cancel unpaid shares, issue and sell new shares – Fund Manager decision
- 4 Share capital decrease to cancel the unpaid shares – GSM decision

Portfolio Management

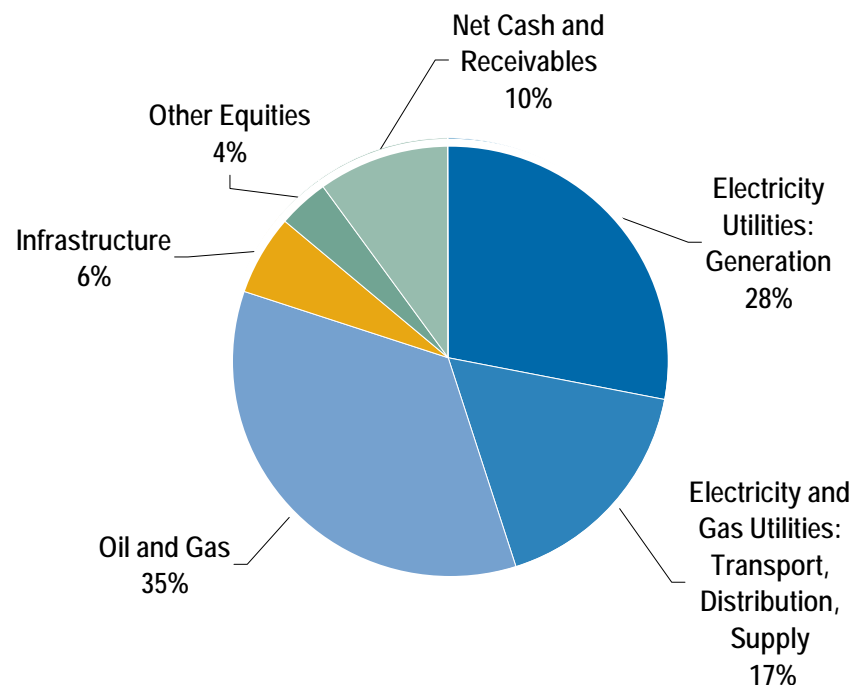
Portfolio Structure (I)

- As at 31 October 2011, the portfolio was heavily weighted towards the electricity, oil and gas sectors (approx. 86% of the NAV), offering unique exposure to the energy sector
- 9 month period ended 30 September 2011 acquisitions:
 - Added stakes in Erste Bank, Raiffeisen Bank and Banca Transilvania
 - Increased exposure to Alro, Azomures, BRD-Societe Generale and Conpet

31 October 2011



30 September 2010



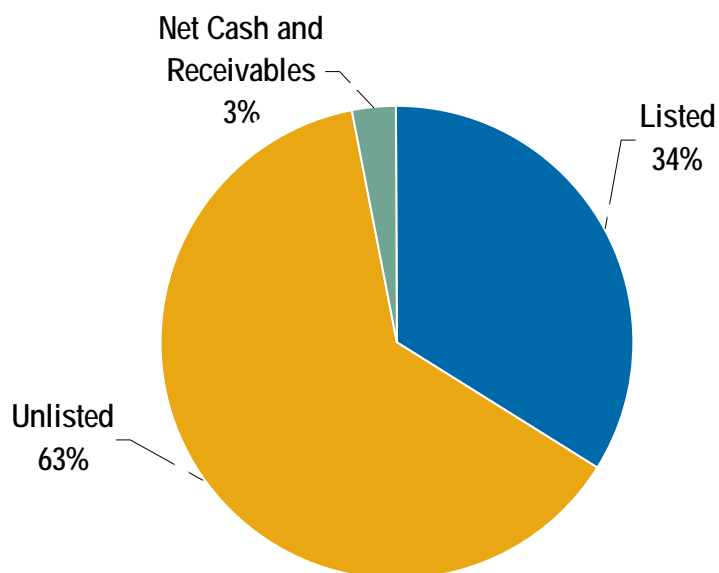
Source: Reports prepared by the Fund's Manager as of 30 September 2010 and 31 October 2011

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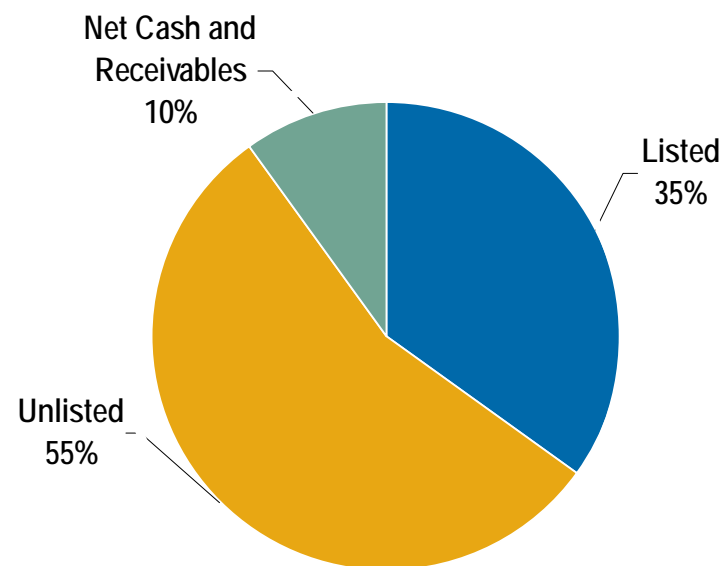
Portfolio Structure (II)

- As at 30 September 2010, FP's portfolio included stakes in 83 companies (29 listed and 54 unlisted), both privately held and State-owned, ranging from less than 1% up to 100%
- As at 31 October 2011, the portfolio includes stakes in 76 companies (29 listed and 47 unlisted)
- 9 month period ended 30 September 2011 disposals:
 - Sold holdings in Marlin, Familial Restaurant, Laromet, Retizoh, and Vitacom at prices equal to or above those in the NAV
 - Reduced stake in Oil Terminal

31 October 2011



30 September 2010



Source: Reports prepared by the Fund's Manager as of 30 September 2010 and 31 October 2011

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Largest Holdings

| No. | Portfolio Company | Status | % Stake | NAV RON mn | NAV EUR mn | % in Total NAV |
|---|--------------------------------|-----------------|---------|---------------|---------------|----------------|
| 1 | OMV Petrom S.A. | Listed–SPO 2012 | 20% | 3,498.2 | 809 | 23.4% |
| 2 | Hidroelectrica S.A. | Unlisted | 20% | 3,340.4 | 772 | 22.4% |
| 3 | Romgaz S.A. | IPO 2012 | 15% | 1,220.2 | 282 | 8.2% |
| 4 | Nuclearelectrica S.A. | Unlisted | 10% | 735.1 | 170 | 4.9% |
| 5 | CE Turceni S.A. | Unlisted | 25% | 522.6 | 121 | 3.5% |
| 6 | Transgaz S.A. | Listed–SPO 2011 | 15% | 390.3 | 90 | 2.6% |
| 7 | GDF Suez Energy Romania S.A. | Unlisted | 12% | 338.7 | 78 | 2.3% |
| 8 | ENEL Distributie Muntenia S.A. | Unlisted | 12% | 337.2 | 78 | 2.3% |
| 9 | CN Aeroporturi Bucuresti S.A. | Unlisted | 20% | 322.4 | 75 | 2.2% |
| 10 | ENEL Distributie Banat S.A. | Unlisted | 24% | 316.7 | 73 | 2.1% |
| Top 10 Portfolio Holdings | | | | 11,022 | 2,548 | 73.7% |
| Top 20 Portfolio Holdings | | | | 13,338 | 3,084 | 89.2% |
| Total Financial Assets (FP Holdings) | | | | 14,456 | 3,343 | 96.7% |
| NAV as of 31 October 2011 | | | | 14,945 | 3,456 | 100.0% |
| NAV Per Share (RON) | | | | 1.1147 | 0.2578 | |

Note: Values in EUR calculated using the EUR/RON FX rate as of 31 October 2011

Source: Reports prepared by the Fund's Manager as of 31 October 2011

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Top 20 Portfolio Holdings – Dividends

| Top 20 Holdings | | 2010 Profit | Dividend Payout % | 2011 FP Net Dividend | 2010 FP Net Dividend |
|--------------------------------------|---|-------------|-------------------|----------------------|----------------------|
| 1 | OMV Petrom S.A. | 2,190.0 | 46% | 201.5 | 0.0 |
| 2 | Hidroelectrica S.A. | 292.4 | 90% | 52.5 | 6.5 |
| 3 | Romgaz S.A. | 651.2 | 110% | 106.0 | 87.8 |
| 4 | Nuclearelectrica S.A. | 13.1 | – | 0 | 0.0 |
| 5 | CE Turceni S.A. | -69.0 | – | 0 | 0.0 |
| 6 | Transgaz S.A. | 376.4 | 90% | 50.8 | 23.0 |
| 7 | GDF Suez Energy Romania S.A. | 148.4 | – | 0 | 0.0 |
| 8 | ENEL Distributie Muntenia S.A. | 105.1 | – | 0 | 0.0 |
| 9 | CN Aeroporturi Bucuresti S.A. | 55.2 | 90% | 9.9 | 6.6 |
| 10 | ENEL Distributie Banat S.A. | 182.0 | 46% | 20.2 | 0.0 |
| 11 | CE Craiova S.A. | 0.2 | – | 0 | 0.1 |
| 12 | CE Rovinari S.A. | 0.6 | – | 0 | 0.1 |
| 13 | Alro S.A. | 159.8 | 100% | 13.5 | 11.2 |
| 14 | BRD – Groupe Societe Generale S.A. | 500.6 | 21% | 2.1 | 0.0 |
| 15 | Electrica Distributie Muntenia Nord S.A. | 29.7 | – | 0 | 0.0 |
| 16 | E.ON Moldova Distributie S.A. | 166.9 | – | 0 | 0.0 |
| 17 | ENEL Distributie Dobrogea S.A. | 99.6 | 56% | 13.5 | 0.0 |
| 18 | Transelectrica S.A. | 9.6 | 96% | 1.2 | 0.5 |
| 19 | Electrica Distributie Transilvania Sud S.A. | 11.9 | – | 0 | 0.0 |
| 20 | Erste Group Bank AG | 4,346.0 | 28% | 3.3 | N/A |
| Total Dividends from Top 20 Holdings | | 9,338.7 | | 474.5 | 135.8 |
| Total Dividend Income | | | | 509.5 | 179.0 |
| Market Capitalisation | | | | 5952.2 | |

Note: Market capitalisation calculated using the share price as at 9 November 2011
Calculation based on the companies' 2010 statutory financial statements

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Active Portfolio Management (I)

Unlocking the Underlying Value of the Fund

- Representation on the Boards of Directors in 18 portfolio companies, and nomination of 15 independent directors in companies, which together represent a total of over 75% of the Fund's NAV
- Legal actions to protect and enhance value – e.g. energy champions, Romgaz donation, Hidroelectrica bilateral contracts
- Improve corporate governance practices (streamlining decision-making processes, 30 days notice prior to GSMs, etc.) of underlying portfolio companies
- Supporting and advising on the planned IPOs and SPOs of the underlying state-owned companies
- Active monitoring of portfolio companies and advising on increasing efficiency, profitability, and transparency, especially for state-owned companies
 - 390 General Shareholders Meetings between 29 September 2010 – 30 September 2011 (Q3: 67 GSMs)
 - 125 Board of Directors Meetings between 29 September 2010 – 30 September 2011 (Q3: 53 Board Meetings)
- Helping portfolio companies to access foreign expertise and financing

Investment Opportunities

- Evaluation and due diligence of new investment opportunities
- Investments outside Romania using FTI EMG proprietary research



Active Portfolio Management (II)

Romgaz Donation Case

- August 2010 Romanian Government issued an Ordinance allowing Romgaz to “donate” RON 400m to the state budget, following the proposal of the Ministry of Finance
- September, October, November 2010 – 3 GSMs to approve the donation
- December 2010 – GSM approved the donation following Board approval: Ministry of Economy voted for and FP voted against
- Romgaz paid RON 400m 2 days after GSM
- The Fund initiated legal action to cancel GSM Decision
- The Fund initiated an individual claim against the Board members of Romgaz
- In the first stage, the Sibiu Court ruled in favor of Romgaz; the Alba Iulia Court of Appeal also rejected the appeal of the Fund
- The Fund filed an extraordinary appeal – next hearing 16 November 2011

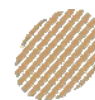
Active Portfolio Management (III)

Nuclearelectrica Share Capital Increase

- Ministry of Economy and Commerce published in November a draft Emergency Government Ordinance for a share capital increase of Nuclearelectrica with the value of heavy water bought for Reactors 3 and 4 using allocations from the State Budget
- According to the draft EGO, the Romanian State has transferred to Nuclearelectrica RON 1.44 billion
- Nuclearelectrica registered the amount as reserves in shareholders equity
- Proposed share capital increase may result in the reduction of the value of Nuclearelectrica in the Fund's NAV by maximum RON 266 million, which could decrease the Fund's NAV by approximately 1.8%*
- The Fund Manager will use all legal measures and other tools available to protect the value of the Fund's holding in Nuclearelectrica

*based on the Fund's NAV as at 30 September 2011

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Measures Agreed with IMF

Reforming State-Owned Enterprises

- Improve corporate governance legislation for SOEs:
 - Regular independent financial external audits
 - Quarterly financial data reporting
 - Moving financial control from line ministries to the Ministry of Public Finance
 - Applying OECD principles on corporate governance
- Listing of 10% of Hidroelectrica and Nuclearelectrica in 2012 through share capital increases, in addition to the upcoming SPOs
- Professional management to be selected in the next months for:
 - Hidroelectrica, Posta Romana by January 2012
 - Romgaz, Nuclearelectrica, Transelectrica and Transgaz over the course of 2012
 - Pedersen & Partners selected as consultant to run the selection process for professional managers

Measures with Impact on the Energy Sector

- Increase the energy prices to better align with CUG for non-residential consumers by 8%, while leaving the price for residential consumers unchanged
- Present plan to phase out regulated prices by end-December 2011
- Define vulnerable consumers by end-2011 according to EU legislation
- Complete removal of regulated prices for non-households in electricity and gas before end 2013 and complete process by end-2015
- Ensure future bilateral power contracts made transparently through OPCOM for electricity and through other competitive procedures for gas
- Adjust existing energy prices in ongoing contracts to market prices as quickly as legally permissible (comply if faster action required by EU infringement procedures)
- Approve legislation to publish all new bilateral contracts of gas and electricity generators



Future Developments

Secondary Listing: WSE Recommendation (I)

Progress to date:

- Fund Manager recommendation to list on the Warsaw Stock Exchange
- Start of selection process for Investment Bank / Consortium to sponsor the secondary listing
- Meetings with Investment Banks / Consortia
- Meetings with the Romanian CNVM and Central Securities Depository
- Meetings with Polish Financial Supervision Authority and National Central Depository

To be concluded:

- Obtaining supportive guidance from CNVM
- End selection process for Investment Bank / Consortium
- Board of Nominees and General Shareholders Meeting approval for the secondary listing
- Complete transaction and start trading on the WSE – target H1, 2012

Secondary Listing: WSE Recommendation (II)

CNVM guidance:

- CNVM approvals are required to facilitate the offering and the secondary listing
- Negative initial feedback from CNVM
- The local regulator is afraid of letting the most liquid issuer list on another stock market and lead to increasing falls in BVB transaction volumes
 - 2010 CNVM total revenues*: RON 38.38 mil.
 - 2010 CNVM commissions from trading*: RON 4.97 million (13% of total)
 - 2010 CNVM commission from investment funds* (0.1% of NAV): RON 16.24 million (33%) out of which RON 5.4 million from Fondul Proprietatea
 - CNVM commission paid by FP for the 9-month period ended 30 September 2011 (0.1% of NAV): RON 12.0 million
 - CNVM commission based on FP-related BVB transactions**: approx. RON 3.7 million
- Many dual listing examples show that liquidity stays in the local market and can even be increased as a result of the secondary listing

*2010 CNVM Annual Activity Report

**BVB, for the period 25 January – 9 November 2011

Buy-Back Program

Buy-Back Program Terms

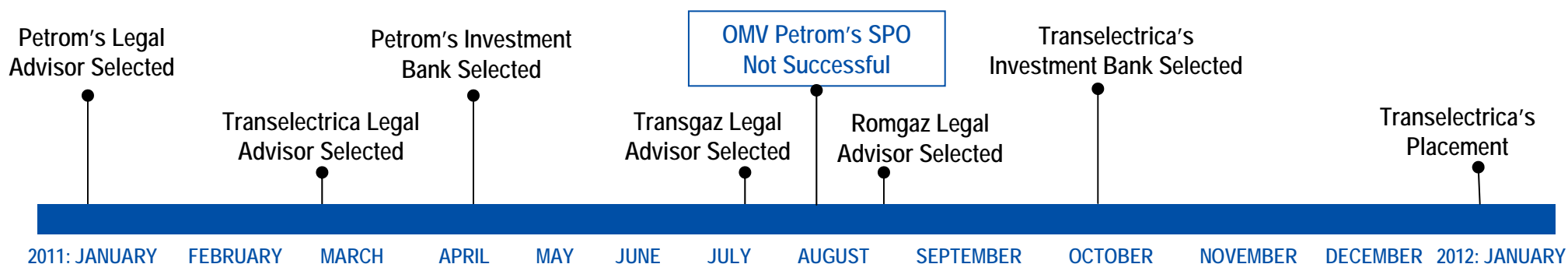
- GSM approval to purchase up to **10%** of outstanding shares until 1 March 2012
- According to 31 December 2010 statutory financial statements, the Fund had **RON 120.3 million (EUR 28.3 million)** in available reserves for the buy-back programme
- On 8 March 2011, the Fund Manager selected Wood & Company Financial Services as broker for executing the buy-backs on the market
- 240.3 million shares equivalent to 1.79% of the Fund were bought back as at 30 September 2011, at an average price of RON 0.4994, for a total amount of RON 120.3 million
- Buy-back program from available reserves completed on 30 September 2011
- Cancellation of shares should be completed in 2012
- Limitations do not apply if the sole purpose of a future buy-back program approved by shareholders is to decrease the share capital

2011–2012 SPO & IPO Timeline

- After the expected IPOs, the weight of listed holdings will increase from 32% of NAV as at 30 September 2011 to 68% of NAV
- Law 247 / 2005 specified that all state-owned companies in the Fund's portfolio must be listed by the end of 2008; new deadline proposed by Fondul Proprietatea and Ministry of Transportation and Infrastructure is end of 2012
- Long-term objective is to increase the Fund's listed portfolio to 100%

| Company | Share Sale | SPO Stake | Market Value* (mn) EURO |
|---------------------|---------------|-----------|-------------------------|
| OMV Petrom | SPO – Q1 2012 | 9.8% | 396.0 |
| Transelectrica | SPO – 2012 | 15.0% | 45.8 |
| Transgaz | SPO – 2012 | 15.0% | 90.3 |
| Romgaz | IPO – 2012 | 15.0% | 282.2** |
| Nuclearelectrica*** | IPO – 2012 | 10.0% | 170.0** |
| Hidroelectrica*** | IPO – 2012 | 10.0% | 386.7** |

Privatization Progress



*Source: BVB, as at 31 October 2011

**Source: 31 October 2011 NAV report

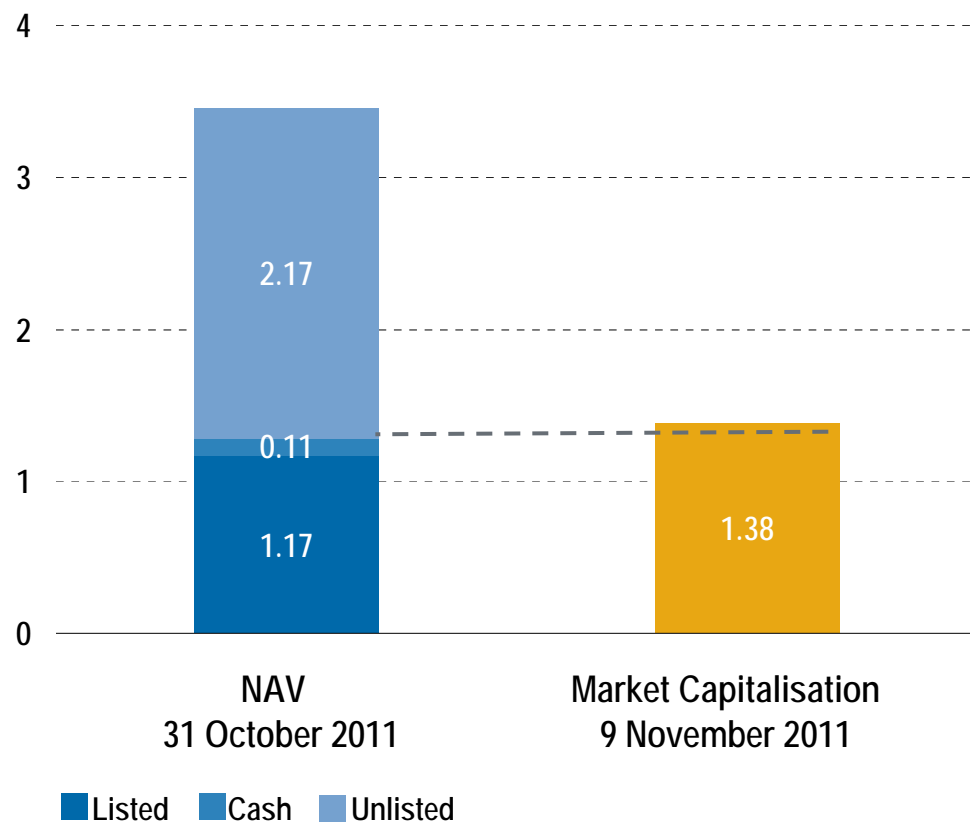
***As agreed with the IMF in the September 2011 Letter of Intent

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FP Market Performance

NAV vs. Market Capitalisation (EUR bn)*



FP Share Price**



| | |
|------------------------------------|---|
| Number of Shares Traded* | 8.9 billion shares (65% of the share capital) |
| Average Daily Turnover | EUR 5.3 million |
| Value of the Shares Traded* | EUR 1.1 billion |

*Source: BVB, FP

**Source: BVB for the period 25 January 2011 – 9 November 2011

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Q3 Results

Income Statement

| (Million RON Unaudited) | Q3 2010 | Q3 2011 | 9 Month Period Ended 30 September 2010 | 9 Month Period Ended 30 September 2011 |
|--|-------------|--------------|---|---|
| Revenues from Current Activity, Out of Which: | 97.4 | 2.3 | 365.1 | 595.9 |
| Revenues from Financial Assets | 36.1 | (3.7) | 209.3 | 509.5 |
| Interest Income | 57.9 | 5.4 | 111.3 | 34.5 |
| Reversal of Impairment Adjustments & Provisions | 0.9 | – | 0.9 | 28.8 |
| Revenues from Disposal of Financial Assets | – | 0.2 | – | 9.9 |
| Revenues from Foreign Exchange Differences | 2.3 | 0.1 | 43.4 | 1.5 |
| Other Income from Current Activity | 0.2 | 0.3 | 0.2 | 11.7 |
| Expenses from Current Activity, Out of Which: | 32.2 | 11.0 | 82.4 | 59.4 |
| Expenses from Disposal of Financial Assets | – | 0.2 | – | 4.1 |
| Expenses from Foreign Exchange Differences | 14.9 | 0.3 | 55.7 | 0.9 |
| Depreciation, Provisions, Losses from Receivables & Sundry Debtors | – | – | 0.1 | 11.7 |
| Commissions & fees | 2.4 | 4.4 | 2.4 | 13.4 |
| Other expenses from current activity* | 14.9 | 6.1 | 24.2 | 29.3 |
| Gross Profit / (Loss) | 65.2 | (8.7) | 282.7 | 536.5 |
| Income tax expense | 5.0 | (0.8) | 12.1 | 1.2 |
| Net Profit / (Loss) | 60.2 | (7.9) | 270.6 | 535.3 |

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

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**FONDUL
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Balance Sheet

| (Million RON) | 31 December 2010 Audited | 30 June 2011 Unaudited | 30 September 2011 Unaudited |
|--|-----------------------------|---------------------------|--------------------------------|
| Financial Assets | 10,890.5 | 12,003.1 | 10,829.2 |
| Non-Current Assets–Total | 10,890.5 | 12,003.1 | 10,829.2 |
| Current Assets–Total | 1,332.4 | 1,045.9 | 567.9 |
| Prepaid Expenses | – | 0.1 | 0.1 |
| Payables Within One Year | 69.3 | 245.4 | 54.6 |
| Total Assets Less Current Liabilities | 12,153.6 | 12,803.7 | 11,342.6 |
| Provisions | 14.4 | 14.2 | 14.2 |
| Shareholders' Equity | 12,139.2 | 12,789.5 | 11,328.4 |

Upcoming Events

EGM and OGM Agenda – 23 November 2011

1. Amendments to the Constitutive Act:
 - Cancelling the voting rights restrictions
 - Introducing electronic voting
 - Clarifying the limits for the investment policy
2. The decrease of the registered share capital of Fondul Proprietatea from RON 13,778,392,208 to RON 13,538,087,407 by cancelling the 240,304,801 shares repurchased by the Fund.
3. The approval of Addendum no. 1 to the Management Agreement: the periodicity of payment and the calculation applied to entire period, not only to the last 90 days of the trading year.
4. The appointment of Deloitte Audit SRL as the financial auditor of the Fund for 2012.
5. The approval of the 2012 budget for Fondul Proprietatea.



2011 Upcoming Events

| Date | Event |
|----------------|---|
| 23 November | General Shareholders Meeting |
| 28–29 November | Fondul Proprietatea at ING EMEA Warsaw Conference |

Thank you!

Appendix

Romanian Government's Options for the Restitution Process*

- 1** Propose to inject new assets into Fondul Proprietatea
 - Assets to be added to FP would be subject to shareholder approval
 - Questions regarding the valuation of the assets
 - No publicly stated intention so far from the State to pursue this option
- 2** Create a restitution fund similar to Fondul Proprietatea
- 3** Directly distribute shares in State-Owned Companies
 - Allows the Romanian Government to transfer assets at market prices rather than at a discount
 - Allows individuals receiving compensation to realize their investment through the Bucharest Stock Exchange
- 4** Issue bonds to finance the restitution process
- 5** Pay cash to settle the claims

*Fund Manager's assessment of the available options for the Romanian Government to continue the restitution process once all the shares in Fondul Proprietatea are distributed

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Active Portfolio Management

Fondul Proprietatea Court Arguments in the Romgaz Case

- The primary financial objective of companies is to make a profit for the benefit of shareholders and not to perform donations to state budget.
- This donation denies shareholders their right to the profits of the company.
- The representatives of the state in the company's shareholders meeting through the Ministry of Economy should have abstained from voting since they were in a clear situation of conflict of interest.
- This donation represents in effect a nationalization of the profits of the Fund, since the donation was made from the company's profits in previous years, which had not been distributed to shareholders.
- Direct impact of the donation on the value of Romgaz to its shareholders by reducing shareholders equity in the balance sheet.
- The Romanian State obtained the lion's share of the profits following the donation decision, which is in breach of Constitutional property rights.
- Legal provisions regarding the convening notice for the GSM were breached, since the convening notice did not include the proposed amount for the donation, i.e. RON 400 million.
This amount has only been announced during the GSM.

New Electricity Generation Strategy

IPO's of Hidroelectrica and Nuclearelectrica in 2012

- Creation of the two energy giants has been cancelled
- Companies can raise equity for:
 - Hidroelectrica's Tarnita Lapustesti power plant (EUR 1 bn worth in investment) and Nuclearelectrica's reactors 3 and 4 (EUR 4 bn)
- Increased supervision and transparency will create pressure for the companies to become efficient
- Cheaper debt financing due to improved transparency
- Proper corporate governance procedures will be put in place and the companies will be competitive
- Professional management to be selected in the next months

Merger of the Three Thermo Power Plants with the Coal Mines to Form CE Oltenia

- CE Oltenia will be formed after the merger of:
 - CE Turceni
 - CE Rovinari
 - CE Craiova
 - Societatea Nationala a Lignitului Oltenia (SNLO)
- Agreement in principle with the Government:
 - IPO in 24 months or a trade sale
 - Two-tier management system
 - Professional management
 - Restructuring plan to be approved upon merger completion
- Government approved the creation of CE Oltenia and CE Hunedoara in October 2011



Unpaid Share Capital of the Fund (I)

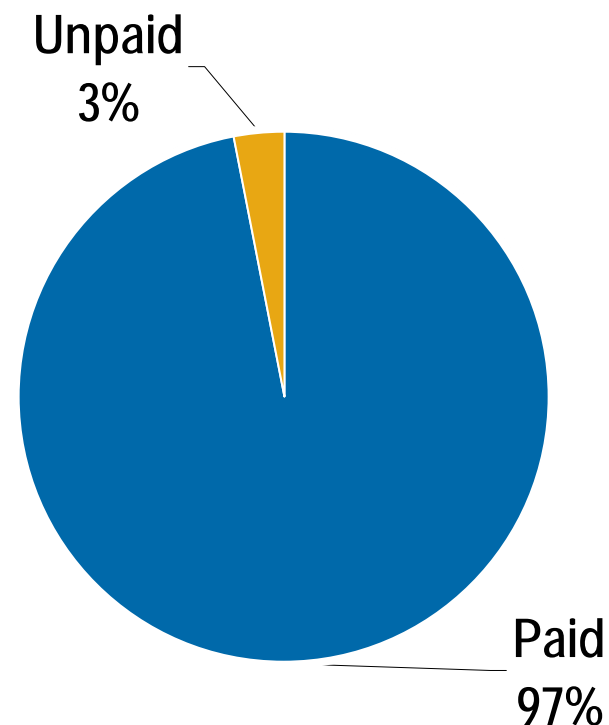
Background

- According to legislation governing Fondul, the Romanian Government should have transferred to the Fund:
 - 20% (43,902,253 shares) of Nuclearelectrica
 - 40% (2,045,512 shares) of Electromecanica Ploiesti
 - 40% (8,063,374 shares) of Uzina Mecanica Bucuresti
- In 2007 the Fund considered that the shares mentioned in the legislation were transferred on the basis of the law.
- The Fund in fact received only 11.24% of Nuclearelectrica without taking into account bonus shares issued between 2005-2007 and was not registered at all as a shareholder of Electromecanica Ploiesti or Uzina Mecanica Bucuresti.
- The Fund started 3 litigations in order to be registered as a shareholder according to the legislation.

Unpaid Share Capital of the Fund (II)

Litigations

- The Prahova Court, the Ploiesti Court of Appeal and the Supreme Court of Justice irrevocably decided that the legislation was unclear and that the Fund cannot be registered as a shareholder of **Electromecanica Ploiesti**.
- The Bucharest Court and the Bucharest Court of Appeal decided that the legislation was unclear and that the Fund cannot be registered as a shareholder of **Uzina Mecanica Bucuresti**. The Fund filed the second appeal and the next hearing will take place on 18 November 2011.
- The Bucharest Court decided that the Fund cannot receive the difference of shares in **Nuclearelectrica**. The Fund filed the appeal and the next hearing will take place on 5 December 2011.



Cancellation of Shares Repurchased in 2011

Accounting Entries

DR Share Capital (Acc. 101)

RON 240.3m

CR Treasury Shares (Buybacks) (Acc. 109)

RON 120.3m

CR Gain on Cancellation or Disposal of Treasury Shares (Acc. 141)

RON 120.0m

Nominal Value

Acquisition Value

Can Be Subsequently
Transferred to Other
Reserves (Acc. 1068)

The gain on cancellation of shares is subject to corporate income tax (profit tax) of 16%

Balance Sheet Impact

Shareholders' Equity

| | |
|--|--------------|
| Share Capital | ▼ RON 240.3m |
| Treasury Shares (Buybacks) | ▼ RON 120.3m |
| Gain on Cancellation of Treasury Shares <i>OR</i> Other Reserves | ▲ RON 120.0m |
| Net Profit | ▼ RON 19.2m |

Liabilities

| | |
|--------------------------------|-------------|
| Corporate Income Tax Liability | ▲ RON 19.2m |
|--------------------------------|-------------|

Income Statement Impact

| | |
|------------------------------|-------------|
| Corporate Income Tax Expense | ▲ RON 19.2m |
|------------------------------|-------------|

NAV Impact

| | |
|------------------|--------------------------------|
| Total NAV | ▼ RON 19.2m |
| Number of Shares | ▼ 240.3m |
| NAV/Share* | ▲ RON 0.0184 Per Share or 1.7% |

*Impact computed relative to the 30 September 2011 NAV (NAV/share impact will be influenced by the NAV as at the date of cancellation)

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Constraints on Distributions to Shareholders (I)

| | RONm |
|---|------------------|
| Share Capital | 13,778.4 |
| Reserves | (2,939.4) |
| • Legal Reserves | 102.5 |
| • Reserve Related to Impairment Adjustments of Financial Assets | (3,162.3) |
| • Reserves for Securities Received Free of Charge | 0.1 |
| • Other Reserves | 120.3 |
| Treasury Shares (Buybacks) | (120.3) |
| Retained Earnings | 74.4 |
| Profit for the Period | 535.3 |
| Total Shareholders' Equity | 11,328.4 |

Since 2008, according to CNVM Regulations (Order 11/2009), the Fund has recorded all impairment adjustments for financial assets directly in Shareholders' equity. The main contributor is OMV Petrom (RON 2,490.5 million) as it was initially recorded at a weighted average price of RON 0.5016 / share. Closing price as at 30 September was RON 0.2830 / share.

The only item available for the approved buy-back program.

Mainly include the bonus shares received in Hidroelectrica in 2007 and recorded in FP books in 2008 .

Available for dividend distribution in 2012 based on year-end results.

Source: RO GAAP Financial Statements as at 30 September 2011

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Constraints on Distributions to Shareholders (II)

- Due to the negative reserves, Fund's ability to make distributions to shareholders is restricted. Romanian Companies law states *"If a loss in net assets is incurred, the subscribed registered capital shall have to be restored or reduced (by allocation to the loss) prior to any profit assignment or distribution."*
- In the previous years, on the assumption that "net assets" mentioned above refer to NAV computed based on CNVM regulation and not to RO GAAP shareholders' equity, the Fund distributed dividends despite these losses in shareholders' equity. This interpretation was then supported by Ministry of Public Finance.
- Even on this basis, Fund's dividend distributions are restricted annually to the annual Net profit less compulsory transfer to Legal reserves.
- Dividend distribution is subject to shareholders' approval.
- Limitations do not apply if the sole purpose of a future buy-back program approved by shareholders is to decrease the share capital.