

Fondul Proprietatea S.A.

PREPARED IN ACCORDANCE WITH LAW NO 297/2004,
CNVM REGULATION NO 1/2006 AND CNVM REGULATION NO 4/2011

(this is a translation from the official Romanian version)



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Company Information

The Company

- Fondul Proprietatea S.A. (“the Fund” or “Fondul Proprietatea”) was incorporated on 28 December 2005 as a joint stock company operating as a closed-end investment company.
- The Fund is registered with the Bucharest Trade Register, under the number J40/21901/2005 and has the sole registration code 18253260.
- The Fund’s Investment Objective is the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities.
- The Sole Administrator of the Fund is Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML” or “Fund Manager”), effective since 29 September 2010, and the mandate was renewed for 2 years with effect from 30 September 2014.
- Since 25 January 2011, the Fund’s shares have been listed on the Bucharest Stock Exchange (“BVB”).

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

NAV and Share Price Developments	Notes	Year End		
		31 December 2014	31 December 2013	31 December 2012
Total Shareholders' Equity (RON million)	a	9,339.0	10,885.0	11,836.8
Total NAV (RON million)	b, d	13,236.7	15,013.7	14,979.2
NAV per Share (RON)	b, d	1.2125	1.2436	1.1371
NAV per Share change in the period (%)*		-2.5%	+9.4%	+5.4%
NAV per Share Total Return (%)*	c	+1.4%	+13.3%	+8.9%
Share Price as at the end of the period (RON)		0.8960	0.8335	0.5495
Share Price Low (RON) ¹		0.7590	0.5705	0.4270
Share Price High (RON) ¹		0.9535	0.8605	0.6050
Share Price change in the period (%)*		+7.5%	+51.7%	+28.7%
Share Price Total Return (%)*	c	+14.5%	+61.3%	+38.3%
Discount to NAV as at the end of the period		26.1%	33.0%	51.7%
Average Discount for the period		30.7%	41.3%	50.2%
Total Share Turnover (RON million)		3,735.8	4,097.0	3,218.8
Average Daily Share Turnover (RON million)		14.9	16.4	13.0

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch and BVB

*Compared to the end of the previous year

Notes:

- Prepared on the basis of Romanian Accounting Regulations
- Prepared on the basis of local rules issued by the capital market regulator
- Calculated with dividend / capital return reinvested, where applicable
- The difference in change (%) between total NAV and NAV per share is accounted for by the change in the number of treasury shares (treasury shares acquired through buy-backs are excluded from the number of shares used in the computation of NAV per share) and in paid-up capital during the period

¹ Closing prices. Source: BVB

Share Capital Information	31 December 2014	31 December 2013	31 December 2012
Issued Share Capital (RON)	11,815,279,886.85	13,778,392,208	13,778,392,208
Paid Share Capital (RON)	11,469,658,154.35	13,413,137,586	13,412,780,166
Number of Shares in Issue	12,437,136,723	13,778,392,208	13,778,392,208
Number of Paid Shares	12,073,324,373	13,413,137,586	13,412,780,166
Nominal Value per Share (RON)	0.95	1	1

Notes:

In June 2014 the FSA endorsed (FSA Endorsement no.75/25 June 2014) the decrease of the subscribed share capital of the Fund, through the decrease of the nominal value of the Fund's shares with RON 0.05 (from RON 1 to RON 0.95 per share).

In September 2014, the FSA endorsed (FSA Endorsement no 164/25 September 2014) the decrease of the subscribed share capital from RON 12,861,183,036.65 to RON 11,815,279,886.85, following the cancellation of 1,100,950,684 treasury shares acquired by the Fund during the second buy-back programme carried out in 2013.

Share Information	
Listing	Bucharest Stock Exchange
Since	25 January 2011
Bucharest Stock Exchange Symbol	FP
Bloomberg	FP RO
Reuters	FP.BX
ISIN	ROFPTAACNOR5
FSA Register No	PJR09SIIR/400006/18.08.2010
CIVM Registration No	AC-4025-4/13.02.2015

Shareholder Structure² (as at 31 December 2014)

Shareholder Categories	% of subscribed share capital	% of paid-up share capital	% of voting rights
Foreign institutional shareholders	51.84%	53.40%	59.04%
Romanian private individuals	19.82%	20.41%	22.57%
Romanian institutional shareholders	10.72%	11.05%	12.21%
Foreign private individuals	5.39%	5.55%	6.14%
Ministry of Public Finance ³	0.04%	0.04%	0.04%
Treasury shares ⁴	9.27%	9.55%	-
Unpaid shares ⁵	2.92%	-	-

There were 8,306 shareholders as at 31 December 2014.

Contact Details

Address: 78-80 Buzesti Street (7th floor), District 1,
Postal Code 011017, Bucharest, Romania.

Web: www.fondulproprietatea.ro

E-mail: investor.relations@fondulproprietatea.ro

Telephone: +40 21 200 9600

Fax: +40 21 200 9631/32

² Source: Central Depository

³ The percentage represents the paid shares; the percentage of subscribed share capital of Ministry of Public Finance is 2.96%, including the Unpaid shares

⁴ 252,858,056 treasury shares acquired by the Fund through the third buy-back programme and 900,617,879 treasury shares acquired through the fourth buy-back program.

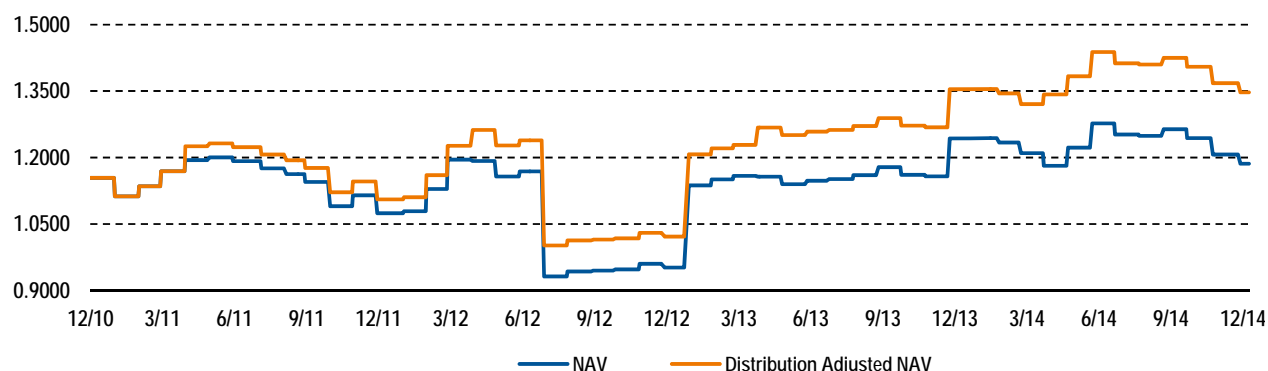
⁵ Shares unpaid by Romanian State represented by Ministry of Public Finance

Administrator's Letter to Shareholders

Dear Shareholders,

Fondul Proprietatea registered again a year of strong performance in terms of share price, despite various challenges, and delays encountered along the way. During the year, our focus remained unwavering on creating shareholder value through our active management approach and close supervision of the portfolio companies, and a constant focus on value-enhancing corporate strategies.

In 2014, the total return on the NAV per share of the Fund was 1.4% and it was 24.5% since the inception of performance calculations in September 2010. The Fund reported a NAV of RON 13.24 billion and a NAV per share of RON 1.2125 as at 31 December 2014. The share price increased throughout the year to reach a historic high of RON 0.9535 per share on 3 October 2014. The share price total return was 14.5% in 2014, and 78.1% since January 2011 when the Fund was listed on the Bucharest Stock Exchange. The discount of the Fund's share price to the NAV continued its downward trend throughout the year, and narrowed to 26.1% as at 31 December 2014, from 33.0% at the end of 2013. In 2014, the discount ranged between a high of 37.9% and a record low of 21.7%.



Source: FTIML, based on NAV reports submitted to FSA.

In 2014, the Bucharest Stock Exchange outperformed the largest markets in Central Europe in both local currency and EUR terms, as shown in the table below.

% change in 2014	in local currency	in EUR
BET-XT (Romania)	6.32%	6.28%
PX (Czech Republic)	-4.27%	-5.38%
WIG20 (Poland)	-3.54%	-6.56%
ATX (Austria)	-15.18%	-15.18%
BUX (Hungary)	-10.40%	-15.66%

We provide details on the portfolio management on a monthly basis via Factsheets and also via the Quarterly Results Reports. We encourage you to read the full details given in the section *Analysis of the Portfolio of the Fund*.

2014 Profit Allocation Proposal

The Fund's 2014 audited net profit was RON 1,012,898,265. The Fund is obliged to make transfers of at least 5% of the Fund's profit to the legal reserves, until these reserves reach a value equivalent to 20% of the value of the issued share capital of the Fund. Following the 2014 transfer of RON 51,476,313, the value of these reserves is RON 243,735,507 (being 2.1% of the issued share capital).

The Fund Manager proposes to keep the remaining RON 961,421,952 within unallocated retained earnings, due to the fact that, according to the official interpretation of the FSA on the definition of "net asset value" for the Fund, dividend distributions cannot be made to shareholders at the present time, because the Fund's shareholders' equity calculated in accordance with Romanian Accounting Regulations, RON 9,339.0 million is lower than the share capital of the Fund, RON 11,815.3 million.

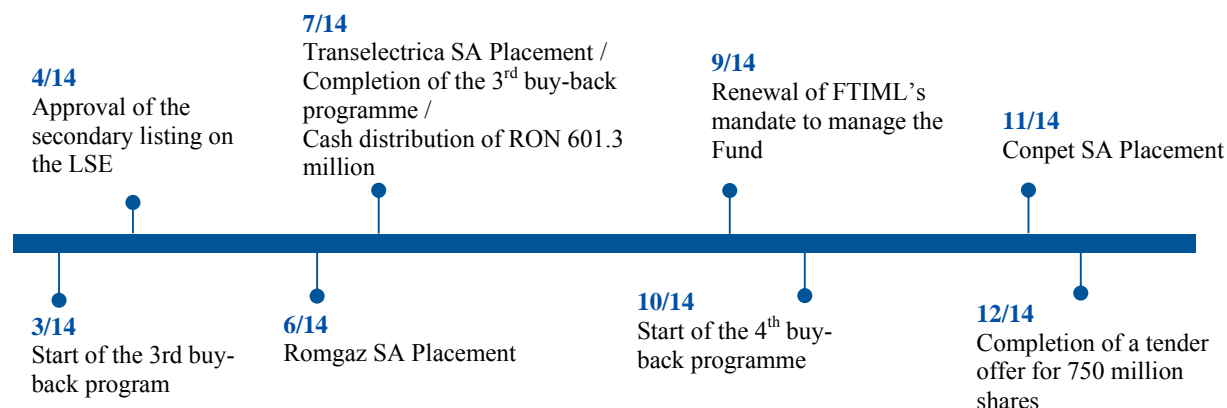
The Fund Manager has already recommended, and the shareholders have approved (on 21 January 2015), a cash distribution of RON 0.05 per share via the decrease of the share capital through the reduction of the nominal value of the Fund's shares. Based on our current understanding of Romanian tax law, no Romanian tax will arise for the Fund or its shareholders on this distribution.

The decrease of share capital is subject to the endorsement from the FSA. The payments to shareholders for this cash distribution is expected to start on 29 June 2015.

In addition, the Fund Manager will seek to return further value to shareholders by continuing to buy-back shares.

Please see the *Analysis of the Activity of the Fund* section for the official interpretation of the FSA on the definition of the "net asset value" for the Fund, and for the update of the Fund's annual cash distribution policy.

Key Events and Activities in 2014



Some of the key objectives achieved in 2014 are:

- Continued efforts to promote the Fund and raise its visibility, as well as the visibility of the Romanian capital market, the local companies (listed or proposed for IPOs), and of Romania in general, in the key financial centres in the USA, Europe, and the Middle East;
- Record high participation from foreign institutional investors and analysts at the Summer and Fall Analyst and Investor Days events organised in Constanta and Bucharest, and at the Romania Investor Day in New York;
- Placement of 19.2 million shares held in Romgaz SA (4.99% of the total shares issued by the company), via an accelerated bookbuilding process on the Bucharest Stock Exchange and London Stock Exchange;
- Placement of 9.9 million shares held in Transelectrica SA (13.50% of the total shares issued by the company), via an accelerated bookbuilding process on the Bucharest Stock Exchange;
- Distribution of RON 601.3 million to shareholders by means of reducing the nominal value of the Fund's shares from RON 1 per share to RON 0.95 per share.
- Completion of the third buy-back programme for 252.9 million shares or 2.0% of the Fund's paid share capital. The total value of the programme was RON 205.5 million and was executed at an average share price of RON 0.8125 per share.
- Update of the annual cash distribution policy to ensure continuation of cash distributions to shareholders, after the FSA issued an interpretation on the NAV definition, which in essence restricted the Fund Manager's ability to distribute dividends;
- Start of the fourth buy-back programme for 990.9 million shares, equivalent to 8.0% of the Fund's paid share capital;
- Execution of the second tender offer launched in view of accelerating the fourth buy-back programme, for 750 million shares, bought back at RON 1.11 per share. The allocation ratio was 0.0742;
- Placement of 2.0 million shares held in Conpet SA, via an accelerated bookbuilding process on the Bucharest Stock Exchange;

- Shareholders' approval for key corporate actions:
 - Secondary listing of Fondul Proprietatea on the London Stock Exchange ("LSE");
 - Renewal of the mandate of FTIML as Fund Manager and Sole Administrator of Fondul Proprietatea, with effect from September 2014;
 - Approval of the fifth buy-back programme to repurchase a maximum number of 227,572,250 shares (2.03% of the paid share capital of the Fund), starting with the date when the share capital decrease approved through EGM Resolution on 23 September 2014 is effective.

Four Year Anniversary of Listing on the Bucharest Stock Exchange

On 25 January 2011 the Fund was listed on the BVB. After four years, the Fund continues to be the most actively traded company on the BVB:

- 4.18 billion shares were traded on the Bucharest Stock Exchange last year, equivalent to 34.6% of the Fund's paid share capital as at 31 December 2014. In Q4 2014, 1.52 billion shares were traded on the BVB, compared to 929.5 million in Q3, 958.5 million in Q2, and 772.1 million shares in Q1.
- The value of trading in Fondul Proprietatea shares exceeded RON 3.7 billion (EUR 833.3 million) in 2014. The total trading value since the listing exceeds RON 16.17 billion (EUR 3.68 billion).
- In the fourth year since its listing, the Fund continued to be the most liquid stock on the BVB, with an average daily trading volume of 16.56 million shares, i.e. 35.78% of the total daily turnover on the BVB.
- The Fund continued to attract demand from foreign institutional investors. Since the listing, the Fund has attracted over EUR 1.5 billion in direct portfolio investments from foreign institutional investors.

Investor Relations Update

In 2014, in our efforts to increase the visibility and profile of the Fund, as well as of the local capital market, and Romania, to a broader international institutional investor base, we participated in 13 global and regional emerging and frontier market conferences in London, New York, Warsaw, Zürich, Stegersbach, and Prague, where we met with over 170 investment analysts and portfolio managers interested in finding out more details about the Fund and its equity story, and to receive updates on the Fund, its corporate actions, and its main portfolio holdings.

We also organised 11 road-shows in the most important financial centres in Europe (London), the United States (New York) and the Middle-East (Dubai). During the road-shows, the Fund's management team had individual and group meetings with representatives from over 100 institutional investment firms, both current shareholders and potential investors.

In February, we organised in New York, in collaboration with the Bucharest Stock Exchange and Raiffeisen Bank, the "Romania Investor Days" event, the first such event focused on Romania and the local capital market. More than 60 representatives from international institutional investors with assets under management of over EUR 700 billion participated in the event. The first day featured presentations from the Romanian Prime Minister's Advisor, the Deputy Governor of the Romanian National Bank, the Privatisation Director of the Energy Department from the Ministry of Economy, the Secretary of State within the Ministry of Economy, the Secretary of State within the Ministry of Public Finance, the President of the Romanian Fiscal Council, the CEO and the President of the Bucharest Stock Exchange, the Vice-President of Raiffeisen Treasury and Capital Markets, and the Fund Manager of Fondul Proprietatea. During the second day, over 100 individual and group meetings were organised between the institutional investors and the 11 Romanian listed and unlisted companies participating in the conference.

On 31 March, as part of our ongoing efforts to ensure a broader understanding of the Fund and the underlying holdings, we held the third edition of the Analysts Day event, addressed to analysts covering the Fund. Also, as part of our efforts to promote the Fund, the Romanian local market, and the country in general, we continued our series of events focused on analysts and institutional investors, and in June and November 2014, we organised the 6th and the 7th editions of the Fondul Proprietatea Analyst and Investor Days. Over 170 institutional investors (with EUR 900 billion in assets under management), analysts covering the Fund, and corporates, participated on both occasions in the three days events.

The participants had the opportunity to visit the nuclear reactors of Nuclearelectrica SA, in Cernavoda, the operations of the Port of Constanta, the OMV Petrom Refinery and Power-Plant in Ploiesti, and Salrom's salt mine in Slanic Prahova. Also, the events featured presentations from the United States ("U.S.") Chargé d'Affaires and the U.K. Ambassador, the Minister of Energy, the International Monetary Fund ("IMF"), the World Bank, the National Bank of Romania, the Fiscal Council, the Financial Supervisory Authority, the Romanian Senate, the Bucharest Stock Exchange, the Privatization Office within the Energy Department, A.T. Kearney, Renaissance Capital, and the Fund, as well as the management of the top portfolio companies: OMV Petrom SA, Romgaz SA, Nuclearelectrica SA, CE Oltenia SA, Transelectrica SA, Hidroelectrica SA, and Posta Romana SA. Over 200 individual and group meetings were organised during these events, between institutional investors and the management of some of the largest listed and unlisted companies in Romania.

In November, we held the first Retail Investor Day event, dedicated to the Fund's retail shareholders, in order to update them on the ongoing and future corporate actions envisaged by the Fund Manager, and to answer any queries.

Communication between the Fund Manager and investors remains our top priority as we aim to ensure that investors are informed about the latest developments and obtain their feedback as we continue to focus on maximising shareholder value. Therefore, during the year, we held four conference calls with analysts and investors related to the Fund's 2013 preliminary financial results, and to the 2014 quarterly financial results. We also facilitated at the end of February a conference call between investors and analysts and the judicial administrator of Hidroelectrica SA, following the Court of Appeal's decision to reopen the insolvency procedure of Hidroelectrica.

In addition, the Fund's management team had 60 individual meetings with current and prospective investors, as well as over 80 conference calls with institutional investors interested in the Fund and its underlying portfolio holdings.

Secondary Listing Update

On 26 November, the Romanian Financial Supervisory Authority announced that it did not meet the condition for the approval of the Depositary Interests ("DI") Regulation needed to complete the Fund's listing in London in December 2014, according to the mandate given by the Fund's shareholders in April 2014. The Fund Manager considers that the Fund's listing on the LSE would be in the best long-term interest of the Fund and its shareholders as it should broaden the foreign institutional investor base not currently active in Romania, it should increase the research coverage from international brokers, and the incremental demand for the Fund's shares generated by the listing on the LSE should contribute to the narrowing of the discount to NAV at which the Fund's shares currently trade.

Although the Fund's listing on the LSE could not be completed in December 2014 through the use of DIs, the recent regulatory changes now allow for the Fund to be listed on the LSE via the use of Global Depositary Receipts ("GDR"). The Fund Manager remains committed to working with the FSA to approve the DI regulation, but ultimately the final decision and the timing of that is solely under the control of the FSA. In December 2014, Elliott Associates proposed a resolution for the General Shareholders Meeting on 21 January 2015 for a new mandate to list the Fund in London until 10 July 2015, which shareholders have approved. The Fund Manager will work to achieve the Fund's listing on the LSE as soon as possible through GDRs; however, if the DI regulation is approved by the FSA in the meantime, the Fund Manager will pursue this route to complete the LSE listing.

Buy-back Programmes

The Third Buy-back Programme

The third buy-back programme, approved by shareholders on 22 November 2013, started in March 2014. On 24 July, the Fund announced the completion of the programme, through which the Fund Manager acquired 252,858,056 shares of the Fund (equivalent to 2.02% of the Fund's paid share capital) through daily acquisitions on the Bucharest Stock Exchange. The total value of the buy-back programme was RON 205,460,540 (excluding brokerage fees and other acquisition related costs), and the average price was approximately RON 0.8125 per share. The shareholders approved the cancellation of the shares repurchased in the third buy-back programme at the 23 September 2014 General Shareholders' Meeting ("GSM").

For further details regarding the cancellation of the shares repurchased in the third buy-back programme, please read the *Share Cancellation* and *Significant Post Balance Sheet Events* sections.

The Fourth Buy-back Programme

The fourth buy-back programme refers to the acquisition of a maximum number of 990,855,616 shares. The price range is a minimum of RON 0.2 per share and a maximum of RON 2.0 per share. The buy-back programme started on 1 October 2014 and can be executed until 27 November 2015. The shares repurchased during the fourth buy-back programme will be cancelled. On 20 October, the Fund Manager announced its intention to accelerate the buy-back programme via a Public Tender Offer to acquire 750 million shares, and selected Raiffeisen Bank to provide brokerage services for the Tender Offer. The price offered was RON 1.11 per share and the subscription period was 3 November – 2 December. On 4 December, the Fund Manager announced the results of the Tender Offer: 10,109,789,738 total shares subscribed (an oversubscription rate of 13.48, and an allocation ratio of 0.0741855191). As at 31 December 2014, the total number of shares repurchased during the fourth buy-back programme was 904.5 million, representing 91.3% of the total programme, at an average share price of RON 1.0743 per share.

As at 31 December 2014, the total value of the shares acquired in the fourth buy-back programme was RON 986.5 million, out of which related fees were RON 14.7 million, including fees charged by the FSA in amount of RON 12.5 million.

For further details regarding the completion of the fourth buy-back programme, please read *Significant Post Balance Sheet Events* section.

The Fifth Buy-back Programme

On 19 November 2014 the Fund's shareholders approved the fifth buy-back programme that refers to the acquisition of a maximum number of (i) 227,572,250 shares or (ii) 10% of the subscribed share capital at the relevant time, whichever is the lesser, starting with the date when the share capital decrease approved through EGM Resolution on 23 September 2014 (regarding the cancellation of the shares purchased by the Fund during the third buy-back programme) is effective until August 2016. The buy-back shall be performed at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share. The buy-back transaction can only be applied for fully paid shares. The shares purchased will be cancelled. This buy-back programme implementation will be subject to the availability of the necessary cash.

For further details regarding the fifth buy-back programme, please read *Significant Post Balance Sheet Events* section.

Share Cancellation

The share cancellation after the First Buy-back Programme

On 24 February 2014, the Fund Manager received from the FSA the decision regarding the approval of the decrease of the Fund's share capital through the cancellation of the 240.3 million shares repurchased during the first buy-back programme. The decision was effective beginning with the same day.

The share cancellation after the Second Buy-back Programme

On 28 April 2014, shareholders voted for the decrease of the share capital through the cancellation of 1.1 billion shares repurchased by the Fund during the second buy-back programme. On 25 September 2014, the FSA issued Decision no. 164 through which it endorsed the change of the Constitutive Act reflecting the decrease of the Fund's subscribed share capital through the cancellation of 1.1 billion shares repurchased during the second buy-back programme. The decision was effective beginning with 26 September 2014.

The share cancellation after the Third Buy-back Programme

During the Extraordinary General Shareholders' Meeting ("EGM") held on 23 September 2014, shareholders approved the decrease of the share capital through the cancellation of 252,858,056 shares repurchased by the Fund during the third buy-back programme. The share capital decrease is effective beginning with 27 January 2015. For further details on the cancellation of shares acquired during the third buy-back programme, please read *Significant Post Balance Sheet Events* section.

Outlook for 2015

Romania continued to outpace other countries in the European Union with one of the highest Gross Domestic Product (GDP) growth rates of 2.9% in 2014, and 2.6% in the fourth quarter of the year. Rising private consumption, supported by growing wages, and continued fall in the unemployment rate has contributed significantly to this evolution, while exports, industrial production, and agriculture have also positively impacted GDP growth last year.

We expect private demand to further benefit from low inflation and falling interest rates in 2015, and that should positively influence consumer confidence as well. The GDP growth of Romania can continue to accelerate in 2015 and we expect the growth rate to be around 3% this year, if the current momentum of exports is maintained, and if Government spending will pick-up. This target may even be exceeded if the 2015 harvest turns out to be similar to the one in the previous two years.

The Public finances have been stable over the past few years, following efforts undertaken by the Romanian Government to comply with requests made by the IMF as part of several stand-by agreements. Public debt to GDP is still low within the EU, less than 40%, and we do not expect major changes in 2015. The budget deficit target for 2015 agreed with the IMF is 1.83%, and the Government has established a good track record on meeting its targets.

We do not expect higher inflation over the next 12 months, and we do not expect significant weakening of the Romanian Leu (RON). Following the two cuts in the Romanian Central Bank's base rate in early 2015 to a record low of 2.25%, we believe that interest rates could decline further this year.

The Romanian capital market should continue its progress towards a future upgrade from frontier to emerging market status. For the time being, the current frontier market status remains very beneficial to the local market, as investors' interest in the asset class continues to grow, new products dedicated to frontier markets are still being launched, and Romania's weight in this frontier markets index should increase and attract international institutional interest and demand for the local shares. At the same time, the local pension funds, as well as mutual funds continue to see significant inflows, which could be invested in the local equity market. Higher participation of retail investors can also contribute to the development of the capital market, and we expect to see this in 2015 as the record low interest rates should be beneficial for equities, as investors will be looking for higher yields. Given strong potential demand for equities, the Government should be encouraged to continue with IPOs of State-Owned Enterprises. From the Fund's portfolio, Aeroporturi Bucuresti SA, Administratia Porturilor Maritime Constanta SA, and Societatea Nationala a Sarii Salrom SA (Salrom) are prime candidates for a listing in 2015 and we will be working closely with the Government to support these IPOs.

On the political front, 2015 is not marked by any elections, so there are no scheduled political events that could slow the reform process. We hope that the Government will remain committed to the development of the local capital market, following successful listings of Romgaz SA and Electrica SA.

Overall, we believe in a continuation of a positive growth trend experienced in the previous years by the Romanian economy and the local capital market.

Maximising Shareholder Value in 2015

As we look to generate further value for the Fund's shareholders and not only meet, but exceed the performance objectives included in the Investment Policy Statement (discount of 15% or less for at least two thirds of the trading days between 1 October 2014 – 30 June 2015 and a higher adjusted NAV per share than the NAV per share reported as at 30 September 2013 of RON 1.1610⁶), we will continue to actively manage the Fund, work closely with the Government to ensure successful implementation of the corporate governance code, and expand the IPO calendar to include other companies that are prepared for a listing (as mentioned above, the prime candidates are Societatea Nationala a Sarii (Salrom) SA, Administratia Porturilor Maritime Constanta SA and Aeroporturi Bucuresti SA).

We will continue to focus on enhancing the profitability of these assets to secure a growing dividend income trend for the Fund. Furthermore, value-enhancing corporate actions such as share buy-backs and cash distributions to shareholders, complemented by the completion of the secondary listing of the Fund in London and continued promotion of the Fund and of the Romanian capital market should allow the Fund's NAV to be better reflected in the share price.

⁶ The adjusted NAV for a given date will be calculated as the sum of: the reported NAV as at the end of the reporting period, any returns to shareholders following reductions of the share capital (return of nominal value) implemented after 30 September 2013, and any Distribution Fee and any transaction costs relating to non-dividend distributions including buy-backs executed after 30 September 2013. The adjusted NAV per share will be equal to the adjusted NAV divided by the total number of the Fund's paid shares, less treasury shares, on the last day of the reporting period.

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

General Shareholders Meeting

Last but not least, we would like to take this opportunity to invite all shareholders to attend the Annual General Meeting of Shareholders to be held in Bucharest on 27 April 2015, starting with 1.00 p.m., where you will have the opportunity to receive the latest updates about the Fund.



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



Dr. Mark Mobius
Executive Chairman
Templeton Emerging Markets Group

Analysis of the Activity of the Fund

General Information

Main activities of Fondul Proprietatea

Fondul Proprietatea is a Romanian legal entity, incorporated as a joint stock closed-end investment company. The Fund is registered with the FSA in the category “Other Organisations 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 Statistics 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).

Incorporation of the Fund

The Fund was incorporated by the Romanian State in 2005 as a joint stock company with the initial 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 Constitutive Act was enacted by Government Decision no. 1481/2005 regarding the incorporation of 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 by CNVM (currently FSA) as a closed-end investment company in 2010 (by CNVM decision no. 34/18 August 2010).

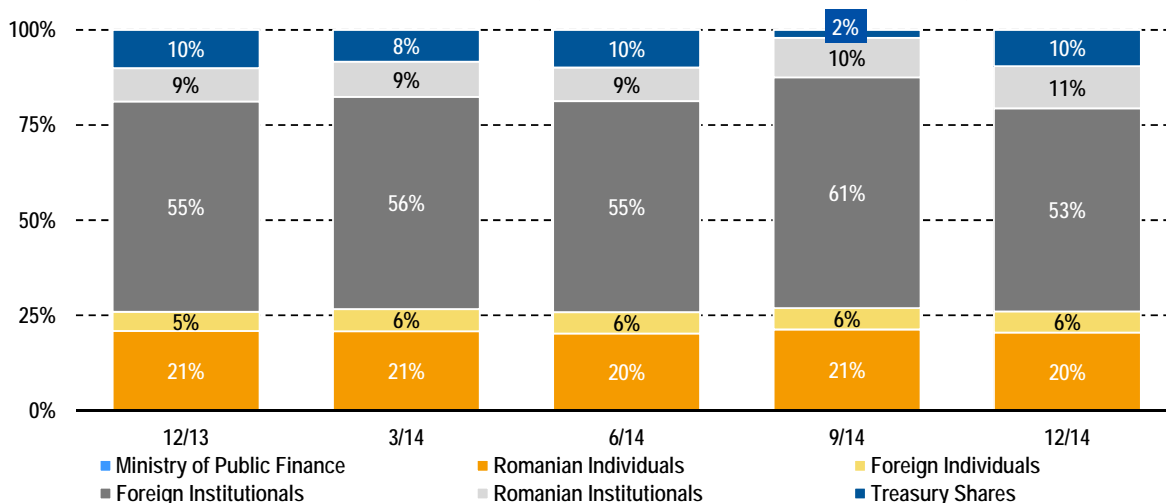
The initial sole shareholder of the Fund was the Romanian State. Since the Fund’s launch, the shares have been awarded by the National Authority for Property Restitution to individuals legally entitled to receive compensation from the Romanian State and who chose to convert their compensation entitlements into shares issued by the Fund. As a result of the compensation and conversion process the Romanian State’s participation in the share capital of the Fund has continuously decreased to 4,688,467 shares as at 31 December 2014. Beginning with 15 March 2013, the date when Government Emergency Ordinance no.4/2012 entered into force the compensation process was suspended. In January 2015 entered into force the Law no. 10/2015 confirming that Romanian State will not use the compensation scheme using Fondul Proprietatea shares anymore in future.

Employees of the Fund

As at 31 December 2014 the Fund had no employees. Given that the Fund is administrated by the Fund Manager, it is not expected that the Fund will have any employees in the future.

Share Capital

The evolution of the shareholder structure during the year is illustrated by the following chart:



The shareholder structure as at 31 December 2014 was as follows:

Shareholder Categories	% of subscribed share capital	% of paid-up share capital	% of voting rights
Foreign institutional shareholders	51.84%	53.40%	59.04%
Romanian private individuals	19.82%	20.41%	22.57%
Romanian institutional shareholders	10.72%	11.05%	12.21%
Foreign private individuals	5.39%	5.55%	6.14%
Ministry of Public Finance ⁷	0.04%	0.04%	0.04%
Treasury shares ⁸	9.27%	9.55%	-
Unpaid shares ⁹	2.92%	-	-

Changes Affecting the Capital of the Fund:

At the beginning of 2014, the subscribed capital of the Fund was RON 13,778,392,208, and the paid-up capital was RON 13,413,137,586.

Share Cancellation

The share cancellation after the First Buy-back Programme

On 24 February 2014, the Fund Manager received from the FSA the decision regarding the approval of the decrease of the Fund's share capital through the cancellation of the 240.3 million shares repurchased during the first buy-back programme. The decision was effective beginning with the same day.

The share cancellation after the Second Buy-back Programme

On 28 April 2014, shareholders voted for the decrease of the share capital through the cancellation of 1.1 billion shares repurchased by the Fund during the second buy-back programme. On 25 September 2014, the FSA issued Decision no. 164 through which it endorsed the change of the Constitutive Act reflecting the decrease of the Fund's subscribed share capital through the cancellation of 1.1 billion shares repurchased during the second buy-back programme. The decision was effective beginning with 26 September 2014.

The share cancellation after the Third Buy-back Programme

During the Extraordinary General Shareholders' Meeting held on 23 September 2014, shareholders approved the decrease of the share capital through the cancellation of 252,858,056 shares repurchased by the Fund during the third buy-back programme. The share capital decrease is effective beginning with 27 January 2015. For further details on the cancellation of shares acquired during the third buy-back programme, please see *Significant Post Balance Sheet Events* section.

Distributions to Shareholders

On 3 February 2014, the Fund's shareholders approved by EGM Resolution no. 2/2014 the reduction of the Fund's share capital by reducing the nominal value of the shares from RON 1 to RON 0.95 and the return of the RON 0.05 per share to the shareholders registered at the registration date (30 April 2014), proportionally with their participation to the Fund's paid-up share capital.

On 25 June 2014, the FSA endorsed the above-mentioned share capital reduction, and thus, in accordance with the provisions of the Shareholders' Resolution no. 2/2014, the payment started on 25 July 2014.

By 31 December 2014, shareholders had collected over 98% of the total distribution of RON 601.3 million.

Official interpretation of the Financial Supervisory Authority on the definition of "net asset value" for the Fund, meaning that dividend distributions cannot be made to shareholders at the present time

On 30 April 2014, the Fund filed with the FSA a request for obtaining an official interpretation regarding the scope of article 17 of CNVM Regulation 4/2010, as amended, providing for the methodology of computation of the "net asset value" of the Fund, in connection with article 69 of the Companies Law. The need for this request

⁷ The percentage represents the paid shares; the percentage of subscribed share capital of Ministry of Public Finance is 2.96%, including the Unpaid shares

⁸ 252,858,056 treasury shares acquired by the Fund through the third buy-back programme and 900,617,879 treasury shares acquired through the fourth buy-back program.

⁹ Shares unpaid by Romanian State represented by Ministry of Public Finance

became apparent after receiving certain letters from public authorities that were inconsistent with previous letters from public authorities on aspects of potential relevance for this topic.

In response to the request, the Fund received on 19 June 2014 the FSA Endorsement no. 71/19.06.2014 stating, in essence, that the “net asset value” determined in accordance with Regulation no. 4/2010 is for regulatory reporting and investors’ information purposes only. The FSA confirmed that the Endorsement has effect prospectively from the date of its publication.

Based on our review, the FSA’s official interpretation has the direct effect that the ability to distribute dividends should be established based on the concept of “total shareholders’ equity” calculated in accordance with CNVM Regulation no. 4/2011 regarding accounting regulations compliant with EEC Directive IV applicable to the entities authorised, regulated and monitored by the Financial Supervisory Authority (Regulation 4/2011).

For the prior year, as at 31 December 2013, the “total shareholders’ equity” in the financial statements (prepared in accordance with Regulation 4/2011) was RON 10,885.0 million, which was below the share capital of the Fund of RON 13,778.4 million. Therefore, according to the FSA interpretation, the Fund Manager could not propose nor make any dividend distributions to the Fund’s shareholders. The situation remains the same as at 31 December 2014, because the “total shareholders’ equity” in the financial statements (prepared in accordance with Regulation 4/2011) was RON 9,339.0 million, which is below the share capital of the Fund of RON 11,815.3 million.

According to Regulation 4/2011, the financial assets (i.e. the Fund’s portfolio holdings), both listed and unlisted (which are the main asset category of Fondul Proprietatea), can only be valued in the financial statements of the Fund at the historical cost (i.e. cost / initial value less cumulated adjustments for impairment), even if their fair values would be higher than this cost / initial value. This has a negative impact on the “total shareholders’ equity” computed based on Regulation 4/2011.

Please find below a table outlining the main differences in the valuation of the Fund’s financial assets in accordance with CNVM Regulation no. 4/2010 and CNVM Regulation no. 4/2011.

	Regulation no. 4/2011 (Romanian Accounting Regulations, “total shareholders’ equity”)	Regulation no. 4/2010 (“Net asset value” computation for regulatory reporting)
Listed shares	Valued at cost less adjustments for impairment	Valued at closing market prices (regulated markets) Valued at reference prices (Rasdaq market)*
Unlisted or illiquid listed shares	Valued at cost less adjustments for impairment	Valued as per latest issued annual financial statements (proportionally with the stake held) or using fair valuation methodologies
Total shareholders’ equity / net asset value as at 31 Dec 2013	RON 10,885,061,292	RON 15,013,742,081.74
Total shareholders’ equity / net asset value as at 31 Dec 2014	RON 9,339,030,996	RON 13,236,700,614.13

* Reference price is considered the closing price for the shares listed on section RGBS of Rasdaq and the average price for the securities listed on sections XMBS of Rasdaq and UNLS.

The Fund Manager analysed the interpretation and amended the Fund’s policy for annual cash distributions to shareholders.

Annual Cash Distribution Policy

Following the official interpretation received from the FSA on computation methodology for the “net asset value” to be used by the Fund in the application of Article 69 of Companies Law no. 31/1990, related to the distribution of profits to shareholders, which in essence limits the Fund’s current ability to distribute dividends, the Fund Manager remains committed to returning cash to shareholders on an annual basis (subject to applicable law and necessary approvals) and has amended the Fund’s annual cash distribution policy as follows:

“In the absence of exceptional market conditions or circumstances, and subject to any restrictions under Romanian legal or tax regulations, the Fund Manager intends to recommend to shareholders a cash distribution related to each financial year equivalent to 100% of the sum of (i) the Fund’s dividend income from portfolio companies, (ii) plus interest on cash balances, (iii) less expenses and taxation and (iv) less compulsory allocations to reserves according to the regulations in force, in each case for that year. The cash distributions would be paid to shareholders either in the form of a return of capital (by decreasing the nominal value per share) or in the form

of dividends, in each case subject to any restrictions under Romanian legal or tax regulations. In the case of dividend distributions (where permitted by applicable law), the distributable amount will be assessed based on audited financial information. In the case of a return of capital, the distributable amount will be based on a best estimate according to the latest management accounts at the time of proposing the resolution”.

The annual cash distribution policy does not limit additional cash returns and share buy-backs that can be recommended by the Fund Manager separately, subject to available cash and depending on the discount level, according to the Investment Policy Statement.

Changes of the paid-up share capital due to the new shares received by the Fund

During 2014, the Fund's paid-up share capital changed as follows:

- In April the Fund Manager issued the Decision 14/4 April 2014, through which it acknowledged that the Romanian State had transferred 26,904 shares in CE Oltenia SA with a total nominal value of RON 269,040, as share capital contribution against the unpaid capital, according to the EGO 81/2007.
- In April the Fund Manager issued the Decision 16/7 April 2014, through which it acknowledged that the Romanian State had transferred 99,999 shares in Hidroelectrica SA with a total nominal value of RON 999,990, as share capital contribution against the unpaid capital, according to the EGO 81/2007. This was a share capital increase in Hidroelectrica SA equivalent to the value of land for which Hidroelectrica SA obtained title.
- In September the Fund Manager issued the Decision 34/16 September 2014, through which it acknowledged that the Romanian State had transferred 16,324 shares in Hidroelectrica SA with a total nominal value of RON 163,240 as share capital contribution against the unpaid capital, according to the EGO 81/2007. This was a share capital increase in Hidroelectrica SA equivalent to the value of land for which Hidroelectrica SA obtained title.
- On 26 September 2014 as a result of the cancellation of the shares acquired during the second buy-back programme (1,100,950,684 shares) the new value of the Fund's subscribed share capital is RON 11,815,279,886.85, being divided into 12,437,136,723 shares and the value of the paid-up share capital is RON 11,469,656,813.90, being divided into 12,073,322,962 shares. The nominal value of Fund's shares is RON 0.95 per share.
- In October, the Fund Manager issued the Decision 40/27 October 2014, through which it acknowledged that the Romanian State had transferred 134 shares in Hidroelectrica with a total nominal value of RON 1,340 as share capital contribution against the unpaid capital, according to the EGO 81/2007. This was a share capital increase in Hidroelectrica equivalent to the value of land for which Hidroelectrica obtained title.

As a result of these decisions, as at 31 December 2014, the subscribed share capital of the Fund is RON 11,815,279,886.85 and the paid-up share capital increased to RON 11,469,658,154.35.

There are no ongoing litigations that could impact the unpaid share capital.

Treasury shares

The Third Buy-back Programme

The execution of the third buy-back programme started on 25 March 2014. The programme was approved by shareholders on 22 November 2013 and referred to the repurchase of a maximum number of 252,858,056 shares at a minimum price of RON 0.2 per share and a maximum of RON 1.5 per share. The shares repurchased would be cancelled.

On 24 July 2014, the Fund announced the completion of the third buy-back programme, through which the Fund Manager acquired 252,858,056 shares of the Fund (equivalent to 2.02% of the Fund's paid-up share capital) through daily acquisitions on the Bucharest Stock Exchange. The total value of the buy-back programme was RON 205,460,540 (excluding brokerage fees and other acquisition related costs), and the average price was approximately RON 0.8125 per share. At the 23 September 2014 General Shareholders' Meeting, the Fund's shareholders approved the decrease of the share capital through the cancellation of 252,858,056 shares repurchased by the Fund during the third buy-back programme.

The share capital decrease is effective beginning with 27 January 2015. For further details on the cancellation of shares acquired during the third buy-back programme, please see the *Significant Post Balance Sheet Events* section.

The Fourth Buy-back Programme

The fourth buy-back programme refers to the acquisition of a maximum number of 990,855,616 shares. The price range is a minimum of RON 0.2 per share and a maximum of RON 2.0 per share. The buy-back programme can be executed until 27 November 2015. The shares repurchased during the fourth buy-back programme will be cancelled. The Fund Manager also announced that following the evaluation of the offers submitted in the brokers' selection process, Raiffeisen Bank was selected to provide brokerage services for this programme. For further details on the fourth buy-back programme, please read *Significant Post Balance Sheet Events* section.

The Fifth Buy-back Programme

Furthermore, to ensure that the Fund Manager will be able to continue with the share repurchases, the Fund Manager has proposed on the agenda of the 19 November 2014 General Shareholders' Meeting the approval of the fifth buy-back programme that refers to the acquisition of a maximum number of (i) 227,572,250 shares or (ii) 10% of the subscribed share capital, whichever is the lesser at the relevant time, starting with the date when the share capital decrease approved through the EGM Resolution on 23 September 2014 (regarding the cancellation of the shares purchased by the Fund during the third buy-back programme) is effective until August 2016. The buy-back shall be performed at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share. The buy-back transaction can only be applied for fully paid shares. The shares purchased will be cancelled.

The shareholders' decision regarding the share capital decrease and the change of the Constitutive Act will be approved by the shareholders, with the observance of the provisions of the Constitutive Act, being agreed that the shareholders may approve one or more share capital decreases as the shares are being bought back and the shareholders are convened by the Sole Administrator. This buy-back programme implementation will be subject to the availability of the necessary cash.

For further details on the fifth buy-back programme, please read *Significant Post Balance Sheet Events* section.

Governing Legislation

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

- (a) Law no. 31/ 1990 regarding companies, save to the extent varied by the more specific legislation relating to the Fund described below ("Companies' Law");
- (b) Government Decision no. 1481/2005 regarding the incorporation of Fondul Proprietatea S.A.;
- (c) Title VII of Law no. 247/2005 regarding the reforms in the sectors of justice and property as well as certain related measures, with subsequent amendments;
- (d) Government Emergency Ordinance no. 81/2007 for the acceleration of the compensation procedure related to the real estate abusively confiscated, with subsequent amendments;
- (e) Law no. 297/2004 regarding the capital market, with subsequent amendments;
- (f) CNVM Regulation no. 4/2010 ("CNVM Regulation 4/2010") regarding the registration with the CNVM and operation Fondul Proprietatea S.A., as well as trading of shares issued, with subsequent amendments;
- (g) CNVM Regulation no. 15/2004 ("CNVM Regulation 15/2004") regarding the authorisation and operation of the investment management companies, of the undertakings for collective investments and of the depositaries;
- (h) CNVM Regulation no. 1/2006 ("CNVM Regulation 1/2006") regarding issuers and securities trading;
- (i) 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;
- (j) CNVM Regulation no. 4/2011 regarding accounting regulations compliant with EEC Directive IV applicable to the entities authorised, regulated and monitored by the FSA, approved by CNVM Order no. 13/2011;
- k) Law 10/2015 on amending Title VII of Law no. 247/2005 regarding the reforms in the sectors of justice and property as well as certain related measures, with subsequent amendments.

Branches

During 2014 the Fund had no branches.

Subsidiaries

During 2014, the Fund controlled the following companies, which under Romanian applicable laws qualify as subsidiaries of the Fund, all of which are incorporated and operate in Romania. In the Fund Manager's opinion, none of these subsidiaries qualifies as a significant subsidiary.

Name	Ownership interest
Alcom SA	71.89%
Comsig SA	69.94%
Primcom SA	68.97%
Zirom SA	100.00%

Corporate Reorganisation of the Fund and its Subsidiaries

There was no corporate reorganisation of the Fund or its subsidiaries in 2014.

Analysis of the Portfolio of the Fund

Net Asset Valuation

The key performance indicator of the Fund is its Net Asset Value (“NAV”). The Fund is required to publish a monthly net asset value per share in accordance with local rules issued by the capital market regulator, no later than 15 calendar days after the reporting month end.

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

NAV Methodology

CNVM Regulation no 4/2010, as subsequently amended allows the NAV calculation based on best international practice suitable for a listed closed-end fund.

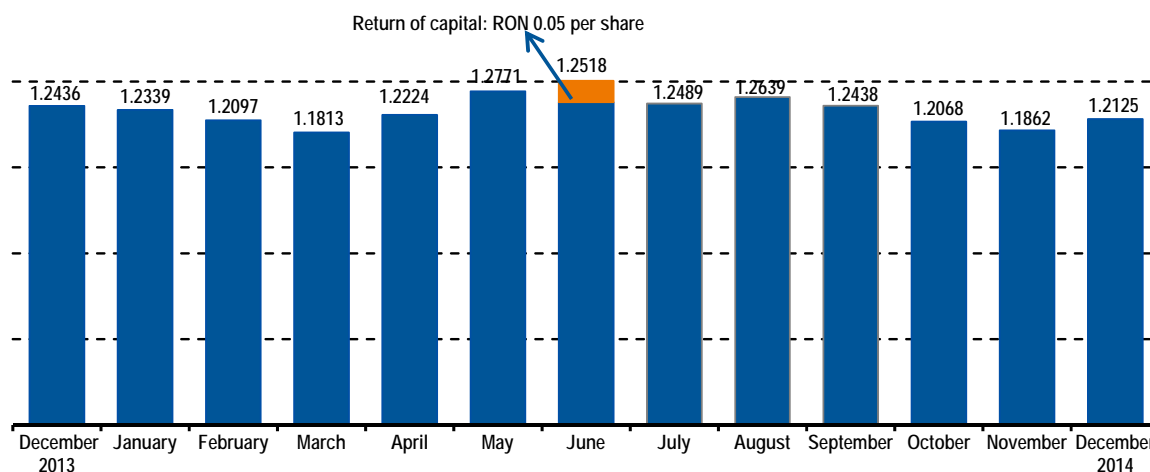
Listed securities are valued at closing market prices - if listed on regulated markets, or reference prices - if listed on Rasdaq (the reference price is considered to be the closing price for the securities listed on section RGBS of Rasdaq, and the average price for the securities listed on section XMBS of Rasdaq and on UNLS). Illiquid or unlisted securities are valued using either the value of shareholders’ equity, as per the latest available annual financial statements, proportionally with the stake held, or according to international valuation standards which permit fair valuation.

Starting December 2012, the shares in the companies going through an insolvency or a reorganisation procedure are valued either at zero, or at the value provided by an independent valuer, using valuation methods in accordance with international valuation standards which permit fair valuation (previously such holdings were valued at zero, until the procedure was finalised). The shares in the companies under a judicial liquidation procedure, or any other liquidation procedures, as well as in the companies under temporary or final suspension of operation, are valued at zero until the procedure is finalised.

Beginning December 2012, the treasury shares acquired through buy-backs are excluded from the number of shares used in NAV per share computation.

The following chart shows information on the monthly published NAVs per share for the period 31 December 2013 to 31 December 2014:

NAV/share (RON/share)



Source: FTIML, based on NAV reports submitted to FSA.

The **orange section** within the June 2014 NAV represents the value per share of the return of capital approved by shareholders in February 2014, which was recorded in June, following the FSA's endorsement of this share capital decrease, resulting in a corresponding reduction in the NAV.

During the **first quarter of 2014** the NAV per share decreased by 5% mainly due to the negative impact of the decrease of the share prices of certain listed holdings, principally OMV Petrom (impact on the Fund's NAV of RON 460.5 million or RON 0.0382 per share), and Romgaz (impact on the Fund's NAV of RON 68.8 million or RON 0.0057 per share), and due to the update of the independent valuation of the holding in Hidroelectrica in February 2014, after the Bucharest Court of Appeal decided to place Hidroelectrica back under the reorganisation procedure (the impact was a decrease of RON 134.2 million or RON 0.0111 per share).

In the **second quarter of 2014**, the NAV per share had a moderate upward trend, due mainly to the positive share price evolution of Fund's listed holdings, principally OMV Petrom (impact on the Fund's NAV of RON 591.7 million or RON 0.0499 per share as at 30 June versus 31 March 2014), and to the third buy-back programme carried out by the Fund during this period.

The holding in Electrica Furnizare SA (previously valued at zero) was independently valued in May 2014. The valuation was performed by KPMG Romania, in accordance with International Valuation Standards. The impact was an increase of RON 88 million of the total NAV. Five unlisted holdings were independently valued in June 2014 (for Complexul Energetic Oltenia SA this was a valuation update, while for the other holdings, the previous valuation was based on the shareholders' equity from the most recent annual financial statements, according to FSA regulations in force). The valuation was performed by KPMG Romania, in accordance with International Valuation Standards. The overall impact as at 30 June 2014, compared to the previous month NAV, was a decrease of RON 123.1 million or RON 0.0101 per share.

The Fund's NAV per share had a slight downward trend in the **third quarter of 2014**, mainly due to the negative impact of the decrease of the share price of certain portfolio companies, principally OMV Petrom (impact of RON 125.9 million or RON 0.0106 per share), while the increase of the share price of other portfolio companies, mainly Romgaz (impact of RON 50.1 million or RON 0.0042 per share) had a positive influence. During the third quarter of 2014, there was no change in the valuation of the Fund's unlisted holdings.

In the **last quarter of 2014**, the NAV per share had a slight downward trend which was mainly due to the decrease of OMV Petrom share price (impact of RON 670.3 million or RON 0.0614 per share as at 31 December versus 30 September 2014), while the fourth buy-back programme (including the tender offer of 750 million shares) carried out by the Fund during this quarter had a positive impact.

At the end of the year, 20 unlisted holdings, representing 99.5% of the total unlisted portfolio, were independently valued (including valuation updates for 17 of the holdings). The valuations were performed by KPMG Romania and Ernst & Young Service, in accordance with International Valuation Standards. The overall impact was an increase of RON 241.7 million or RON 0.0205 per share, as compared to the previous valuation (28 November 2014 NAV).

Portfolio company name	Value in 31 Dec 2014 NAV (RON Million)	Value in 28 Nov 2014 NAV (RON Million)	Impact on Total NAV (RON Million)	Impact on NAV per share* (RON)
1 Hidroelectrica SA	2,178.1	2,105.1	73.0	0.0062
2 ENEL Distributie Banat SA	640.5	573.2	67.3	0.0057
3 ENEL Distributie Muntenia SA	465.8	473.1	(7.3)	(0.0006)
4 GDF Suez Energy Romania SA	461.3	404.4	56.9	0.0048
5 E.ON Distributie Romania SA**	441.4	510.6	(69.2)	(0.0059)
6 ENEL Distributie Dobrogea SA	396.9	379.1	17.8	0.0015
7 CN Aeroporturi Bucuresti SA	332.3	287.7	44.6	0.0038
8 Electrica Distributie Muntenia Nord SA	235.6	296.2	(60.6)	(0.0051)
9 Electrica Distributie Transilvania Sud SA	206.5	192.0	14.5	0.0012
10 Electrica Distributie Transilvania Nord SA	201.6	206.7	(5.1)	(0.0004)
11 Societatea Nationala a Sarii SA (Salrom)	142.9	114.1	28.8	0.0024
12 E.ON Energie Romania SA	133.9	130.9	3.0	0.0003
13 Administratia Porturilor Maritime Constanta SA	132.6	69.5	63.1	0.0053

	Portfolio company name	Value in 31 Dec 2014 NAV (RON Million)	Value in 28 Nov 2014 NAV (RON Million)	Impact on Total NAV (RON Million)	Impact on NAV per share* (RON)
14	Electrica Furnizare SA	126.4	88.0	38.4	0.0033
15	Complexul Energetic Oltenia SA	108.5	120.0	(11.5)	(0.0010)
16	ENEL Energie SA	74.4	74.3	0.1	-
17	ENEL Energie Mutenia SA	65.1	65.1	-	-
18	Posta Romana SA	55.9	60.8	(4.9)	(0.0004)
19	Zirom SA	39.3	43.5	(4.2)	(0.0004)
20	Plafar SA	1.8	4.8	(3.0)	(0.0003)
TOTAL		6,440.8	6,199.1	241.7	0.0205

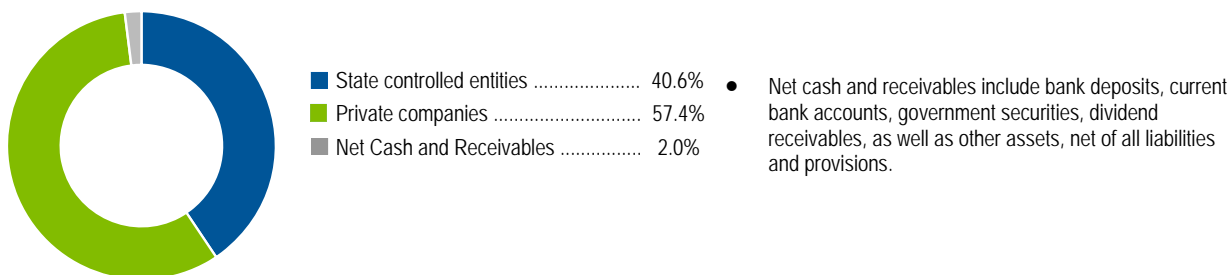
* computed based on the number of shares used in NAV per share computation as at 28 November 2014

** E.ON Distributie Romania was created at 31 December 2014 through the merger of E.ON Gaz Distributie SA (the absorbing company, whose name was changed) and E.ON Moldova Distributie SA (the absorbed company)

Investment Strategy and Portfolio Analysis

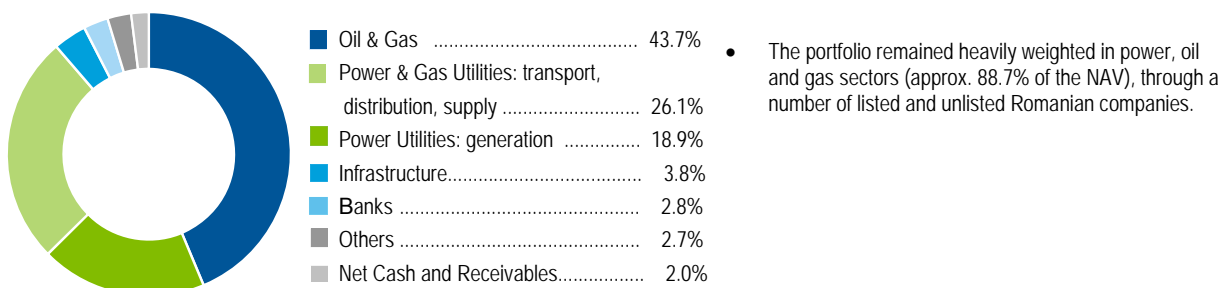
The Fund's Investment Objective is the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities. The equity exposure amounted to 98% of the Fund's NAV as at 31 December 2014. As at that date, the portfolio was composed of holdings in 53 companies (17 listed and 36 unlisted), containing a combination of privately held and state-controlled entities.

Portfolio Structure – by Controlling Ownership



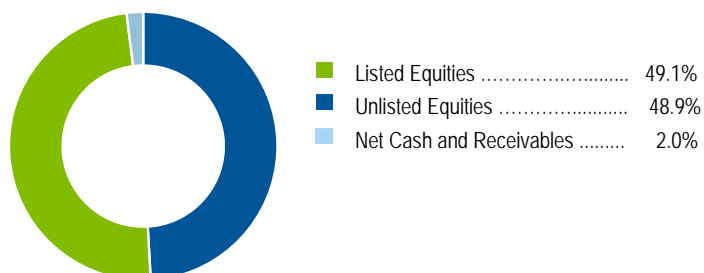
Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2014

Portfolio Structure - by Sector



Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2014, based on NAV reports submitted to FSA.

Portfolio Structure – by Asset Type



- The largest listed company is OMV Petrom (67.6% of total value of listed companies in the portfolio)
- The largest unlisted company is Hidroelectrica (33.6% of the total value of unlisted companies in the portfolio).

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2014, based on NAV reports submitted to FSA.

Top 20 Equity Investments

No	Name	Fund's Stake (%)	Value as at 31 December 2014 (RON million)	% of NAV as at 31 December 2014
1	OMV Petrom SA	18.99%	4,389.5	33.2%
2	Hidroelectrica SA	19.94%	2,178.1	16.5%
3	Romgaz SA	10.00%	1,362.9	10.3%
4	ENEL Distributie Banat SA	24.12%	640.5	4.8%
5	ENEL Distributie Muntenia SA	12.00%	465.8	3.5%
6	GDF Suez Energy Romania SA	12.00%	461.3	3.5%
7	E.ON Distributie Romania SA*	18.35%	441.5	3.3%
8	ENEL Distributie Dobrogea SA	24.09%	396.9	3.0%
9	CN Aeroporturi Bucuresti SA	20.00%	332.3	2.5%
10	Electrica Distributie Muntenia Nord SA	21.99%	235.6	1.8%
11	BRD-Groupe Societe Generale SA	3.64%	222.1	1.7%
12	Nuclearelectrica SA	9.72%	212.1	1.6%
13	Electrica Distributie Transilvania Sud SA	22.00%	206.5	1.6%
14	Electrica Distributie Transilvania Nord SA	22.00%	201.6	1.5%
15	Banca Transilvania SA	2.88%	143.2	1.1%
16	Societatea Nationala a Sarii SA (Salrom)	49.00%	142.9	1.1%
17	E.ON Energie Romania SA	13.39%	133.9	1.0%
18	CN Administratia Porturilor Maritime SA	20.00%	132.6	1.0%
19	Electrica Furnizare SA	22.00%	126.4	0.9%
20	Complexul Energetic Oltenia SA	21.55%	108.5	0.8%
Top 20 equity holdings			12,534.2	94.7%
Total equity holdings			12,972.8	98.0%
Net cash and receivables			263.9	2.0%
Total NAV			13,236.7	100.0%

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2014, based on NAV reports submitted to FSA.

* E.ON Distributie Romania was created at 31 December 2014 through the merger of E.ON Gaz Distributie SA (the absorbing company, whose name was changed) and E.ON Moldova Distributie SA (the absorbed company)

Key Portfolio Developments in the Period

Acquisitions and Disposals

In 2014, the Fund sold its entire holding in Transelectrica SA (9,895,212 ordinary shares at RON 21.50 per share, following the completion of the book building process which was announced on 9 July 2014), Erste Group Bank, Raiffeisen Bank, Resib SA, Turdapan SA, Transilvania Com SA, Severnav SA and part of its holdings in Romgaz SA (19,243,000 shares, at a price of RON 33.50 per share or USD 10.32 per GDR, through an accelerated book building offering), Conpet SA (2,047,095 shares at a price of RON 48.75 following the completion of the book building process), Oil Terminal SA and Primcom SA (134,793 shares, at a price of RON 30 per share, in a buy-back tender offer conducted by Primcom SA).

In January 2014, Primcom SA performed a capital return to its shareholders following the decrease of its share capital by reducing the nominal value of the shares from RON 2.5 to RON 0.1.

In 2014, the Fund received, in compensation for the receivable related to the unpaid share capital:

- 26,904 shares in CE Oltenia SA (having a nominal value of RON 269,040), following a share capital increase by the company in April 2014.
- 116,457 shares in Hidroelectrica SA with a total nominal value of RON 1,164,570, following share capital increases of Hidroelectrica SA in April, September and October 2014, equivalent to the value of land for which Hidroelectrica SA obtained title, recorded as contributions in kind by the Romanian state, represented by the Ministry of Public Finance, to the share capital of the Fund.

In May 2014, the Fund received 35,438 bonus shares from Administratia Porturilor Dunarii Maritime SA, following a share capital increase through the incorporation of reserves. At the same time, there was also a cash share capital increase in which Fondul Proprietatea did not participate and decided to challenge it in Court. After these changes in the company's share capital, the new total number of shares held by the Fund in Administratia Porturilor Dunarii Maritime SA increased to 56,675 shares (from 21,237 shares held previously), while the percentage holding decreased to 7.7% (from a 20% holding). The Fund continues to seek a Court annulment of the share capital increase operation.

In July 2014, Banca Transilvania completed the registration of a share capital increase (from incorporation of reserves and earnings) with the Central Depository and the number of 10,347,302 bonus shares received by the Fund in May 2014, were reflected as part of its portfolio (previously these shares were reflected in the other current assets category in the Fund's NAV report).

In October 2014, Carbid Fox SA was erased from the Trade Register, at the end of the bankruptcy procedure.

Mergers

In November 2014, the General Shareholders Meetings of E.ON Gaz Distributie SA and E.ON Moldova Distributie SA approved the merger of the companies, with E.ON Gaz Distributie SA as the absorbing company and E.ON Moldova Distributie SA as the absorbed company. Following the merger, E.ON Gaz Distributie SA changed its name to E.ON Distributie Romania SA and E.ON Moldova Distributie SA was erased from the Trade Register. The registration of the new company was completed by the Trade Registry on 31 December 2014. After the merger, the Fund holds 18.34% in E.ON Distributie Romania SA.

Energy Sector Updates

The Romanian National Energy Regulatory Authority ("ANRE") modified the tariff setting methodology for the electricity distribution service (Order 112 / 29.10.2014), with the most significant changes being the possibility given to the regulator to revise the regulatory rate of return ("RRR") starting from the second year of the ongoing five year regulatory period (2014 - 2018). Subsequently, ANRE effectively reduced the level of the RRR (before tax and expressed in real terms) to 7.70% from the previous 8.52% level (Order 146/ 10.12.2014). The ANRE decision was challenged in Administrative court by Fondul Proprietatea and the distribution companies.

Energy Tariff Changes

The proposed timetable for gradual elimination of the regulated electricity prices for non-household consumers and for household consumers is according with the table below:

Starting date	Non-household consumers – % acquisition from the competitive market	Household consumers – % acquisition from the competitive market
01.01.2013	30	-
01.04.2013	45	-
01.07.2013	65	10
01.09.2013	85	10
01.01.2014	100	20
01.07.2014	100	30
01.01.2015	100	40
01.07.2015	100	50
01.01.2016	100	60
01.07.2016	100	70
01.01.2017	100	80
01.07.2017	-	90
31.12.2017	-	100

Gas Tariff Changes

The implementation of the calendar for gradual elimination of regulated gas prices started on 1 February 2013. Following the implementation of the 6th increase on 1 April 2014, prices have increased in line with the calendar to 89.4 RON/MWh for non-household consumers and to 51.8 RON/MWh for household consumers.

On 24 June 2014, the Government Emergency Ordinance no. 35/2014, which modifies Law no. 123/2012 regarding Electricity and Natural Gas, entered into force. The changes were done in order to introduce the obligation for natural gas producers to sell a certain percentage of their production on the regulated market, as per the decisions of ANRE, the Romanian energy market regulator. Following these changes, the remaining price increases for the year in the liberalisation calendar were no longer implemented. The Government subsequently decided to postpone the further liberalisation of gas prices for household consumers until at least June 2015, while the liberalisation process for non-household consumers was considered finalised by the Romanian Government, given that local prices have reached a level close to the European prices. Starting 1 January 2015, ANRE no longer sets reference prices for non-household consumers. Gas prices for household consumers have been frozen at RON 53.3/MWh until 30 June 2015. ANRE will have to publish a new calendar for the gas price liberalization for household consumers starting 1 July 2015 until 1 July 2021.

Hidroelectrica Insolvency

On 25 February 2014 the Bucharest Court of Appeal took the following decisions:

- Cancelled the initial decision of the Bucharest Court whereby the judicial reorganisation procedure of Hidroelectrica was closed for procedural reasons. As a result, the case will be sent back to the syndic judge for a retrial. As a consequence, the company was placed back under the reorganisation procedure and the former judicial administrator was reinstated with immediate effect.
- Cancelled and sent back to the syndic judge for retrial several other cases related to the force majeure clause in 2011 and the table of creditors.

Update on the Largest 20 Portfolio Companies

Banca Transilvania SA

RON million	2012	2013	9 months 2013	9 months 2014	2014*
Operating income	1,587.3	1,759.6	1,147.7	1,449.3	942.0
Net impairment losses	379.6	414.3	280.5	442.0	430.0
Net profit	346.5	408.6	240.2	338.1	512.0**

Source: based on IFRS financial statements

*Budgeted figures

**Gross profit

April: Bank of Cyprus reported a transaction through which it sold the entire 9.99% stake held in Banca Transilvania SA.

The bank reported results for the first quarter of 2014. Operating revenues increased by 19% to RON 424.8 million and net income increased by 22.6% to RON 103.4 million. Total assets increased by 2.7% to RON 32.9 billion.

May: Horia Ciorcila, the President of the bank's Board of Directors was reported to have a holding of 5.06%, of which 4.89% is held through an investment vehicle.

June: Fitch has confirmed their BB- rating for Banca Transilvania's long-term foreign currency financing and B for short-term foreign currency financing.

August: Banca Transilvania SA reported the results for the first 6 months of 2014: compared to the same period of 2013, operating revenues increased by 23.6% to RON 906.6 million, operating expenses increased by 5.5% to RON 404.2 million, net impairment losses increased by 81.7% to RON 256.3 million, and net profit increased by 17.7% to RON 212.1 million.

October: Banca Transilvania SA reported the results for the first 9 months of 2014: compared to the same period of 2013, operating revenues increased by 26.3% to RON 1,449.3 million, net impairment losses increased by 57.6% to RON 442.0 million, and net profit increased by 40.8% to RON 338.1 million.

November: The bank announced the registration with the Central Depository of a share capital increase following the conversion into shares of previously issued convertible bonds. Following this operation, the total number of issued shares increased by 49.44 million shares, to 2,559.18 million shares.

December: The bank announced that its Board of Directors approved the transaction regarding the acquisition of 100% of Volksbank Romania. The two entities are to operate separately until all legal procedures are fulfilled and all approvals are obtained. The value of the transaction was not disclosed.

February 2015: According to preliminary unconsolidated IFRS financial statements, in 2014 the bank reported a net profit of RON 448.1 million, which represents an increase of 19.5% compared to the net profit of RON 374.9 million reported in 2013. In 2014, the operating revenues increased by 20.3% y.o.y to RON 1,995.6 million, operating expenses increased 3.4% y.o.y to RON 836.5 million and net impairment losses increased by 56.6% y.o.y to RON 637.8 million.

BRD – Groupe Societe Generale SA

RON million	2012	2013	9 months 2013**	9 months 2014**	2014*
Net banking income	3,046.6	2,836.3	2,059.4	1,878.8	Expected decrease due to lower net interest income
Gross operating income	1,613.5	1,491.3	1,111.0	970.2	n/a
Net cost of risk	1,943.0	2,130.8	1,041.4	951.7	Significant improvement
Net profit/ (loss)	(298.8)	(387.5)	50.5	20.1	Expected return to profitability
Dividends	-	-			

Source: Based on consolidated IFRS financial statements

* Budget

** IFRS unconsolidated results

August: The bank published the unconsolidated IFRS financial statements for the first half of the year. During the first six months of the year, the bank reported a net profit of RON 122.9 million (vs. RON 62.2 million during the similar period of the previous year). Net banking income decreased by 8.6% year on year ("y.o.y") to RON 1,243.7 million, while general operating expenses decreased by 0.9% y.o.y. to RON 608 million, leading to a gross operating results of RON 636 million, down by 15.0% y.o.y. Net cost of risk decreased by 25.3% y.o.y. compared to the similar period of the previous year, to RON 492.1 million.

November: The bank published the unconsolidated IFRS financial statements for the first nine months of the year. During the period, the bank reported a net profit of RON 20.1 million (compared with RON 50.5 million during the similar period of the previous year). Net banking income decreased by 8.8% y.o.y to RON 1,878.8 million, while general operating expenses decreased by 4.2% y.o.y. to RON 909 million, leading to a gross operating results of RON 970.2 million, down by 12.7% y.o.y. Net cost of risk decreased by 8.6% y.o.y. compared to the similar period of the previous year, to RON 951.7 million.

February 2015: According to preliminary unconsolidated IFRS financial statements, in 2014 the bank reported a net profit of RON 43.2 million compared to RON 385.7 million net loss reported in 2013. Net banking income decreased by 8.4% y.o.y to RON 2,497.6 million, while general operating expenses decreased by 2.9% y.o.y. to RON 1,254.8 million, leading to a gross operating results of RON 1,242.8 million, down by 13.3% y.o.y. Net cost of risk decreased by 42.7% y.o.y. compared to the previous year, to RON 1,192.9 million.

CN Administratia Porturilor Maritime SA

RON million	2012	2013	H1 2013	H1 2014	2014*
Total revenues	284.8	302.4	142.6	140.5	297.1
Operating profit	46.2	76.6	33.7	50.9	43.3
Net profit	35.6	65.0	29.7	41.8	31.0
Dividends	26.7	50.6			13.5

Source: Based on the financial statements prepared in accordance with applicable Romanian accounting regulations

* Budgeted figures

September: The company's results for the first 6 months of the year include a 3.6% increase in operating revenues compared to the same period of 2013, to RON 137.2 million, a 51% increase in operating profits to RON 50.9 million, and a 40.1% increase in net profit to RON 41.8 million.

December: According to a decision of the Constitutional Court of Romania, the law which allocated 20% of the company to the Local Council of Constanta is unconstitutional. As a result, the 20% will be allocated back to the Ministry of Transports.

CN Aeroporturi Bucuresti SA

RON million	2012	2013	H1 2013	H1 2014	2014*
Sales	555.5	582.6	268.5	294.1	676.8
Operating profit	80.9	91.0	40.5	60.8	40.1
Net profit	53.1	69.0	31.1	52.6	25.3
Dividends	45.7	61.6	-	-	-

Source: Based on the financial statements prepared in accordance with applicable Romanian accounting regulations

* Budgeted figures

May: The company's entire Board of Directors was replaced in a shareholder meeting held on 29 May. The General Manager was also suspended from his position in the same GSM. A new Board and General Manager were appointed on an interim basis, until the implementation of the selection and the appointment procedures as outlined by the Emergency Government Ordinance ("EGO") 109/2011. Fondul Proprietatea has contested in the courts the legality of the decisions taken by this GSM.

Total passenger traffic for the first five months of 2014 reached 2.94 million passengers, representing a 6% increase compared to the same period in 2013.

August: The company reported passenger traffic numbers for the first 7 months of 2014, which showed a 7.46% increase y.o.y to 5.23 million passengers.

Unaudited financial statements for the first 6 months of 2014 show a 7.9% increase in operating revenues to RON 305.3 million, a 50% increase in operational profits to RON 60.8 million, and a 68.9% increase in net income to RON 52.6 million.

December: The number of passengers serviced in 2014 reached 8.32 million, which represents an 8.8% increase compared to 2013.

February 2015: The company preliminary results for the year end 31 December 2014 show a 17.6% increase in sales to RON 685.1 million, a 40.4% increase in operating profit to RON 127.8 million, and a 54.2% increase in net profit to RON 106.4 million compared with the results of 2013.

Complexul Energetic Oltenia SA

RON million	2012	2013	H1 2013	H1 2014
Sales	3,347.1	4,278.2	2,023.9	1,899.4
Operating profit / (loss)	44.5	(28.0)	26.5	(157.3)
Net profit / (loss)	118.3	4.5	76.9	(193.5)
Dividends*	57.2	-		

Source: Based on the financial statements prepared in accordance with applicable Romanian accounting regulations

* CE Oltenia was created in 2012, through the merger of CE Craiova, CE Rovinari, CE Turceni and SNLO; Dividends distributed by the merged companies to the Fund were: 2011 (CE Rovinari RON 6.5 million, CE Craiova RON 0.03 million)

May: In the first quarter of 2014 CE Oltenia SA reported a net electricity production of 2.72 TWh (+2.6% y.o.y.), operating revenues of RON 1,013.9 million (-13.3% y.o.y.), operating profit of RON 58.4 million (-45.5% y.o.y.), and a gross profit of RON 40.1 million (-73% y.o.y.). The reasons for the decreases in revenues and

profitability are mainly related to a 13% drop in the average selling price of electricity y.o.y. from RON 208.2 /MWh in first quarter of 2013, to RON 181.2 /MWh in the same period of 2014.

July: the General Shareholders' Meeting approved an extension of one year of the contract signed with the consortium of brokers that includes BRD – Groupe Societe Generale, and SSIF Swiss Capital for the intermediation of the IPO process.

August: the General Shareholders' Meeting approved the creation of CEO Trading, a subsidiary 100% owned by CE Oltenia SA, with the main purpose of dealing with export contracts.

October: The shareholders approved to mandate the Directorate to negotiate with CET Govora (a state owned company) the sale of its mining assets from the Berbesti branch. The main reason for selling the mining assets is the large value of overdue receivables (approx. RON 188 million as at 30 June 2014) to be recovered from CET Govora which buys all the coal produced by Berbesti. The Fund requested to have the final terms and conditions of the asset sale contract approved in a subsequent shareholders meeting.

E.ON Distributie Romania SA

E.ON Distributie Romania SA was created on 31 December 2014 through the merger of E.ON Gaz Distributie SA (as the absorbing company, whose name was changed) and E.ON Moldova Distributie SA (as the absorbed company):

E.ON Gaz Distributie SA				E.ON Moldova Distributie SA			
RON million	2012	2013	2014*	RON million	2012	2013	2014*
Operating Revenues	764.5	796.4	748.0**	Operating Revenues	688.8	766.4	679.0**
Operating profit	82.7	73.9	50.0	Operating profit	83.8	106.7	85.0
Net profit	73.0	67.8	37.0	Net profit	71.3	87.0	71.0
Dividends	-	249.5***	-	Dividends	-	-	-

Source: Based on the financial statements prepared in accordance with applicable Romanian accounting regulations

*Budgeted figures

** Distribution revenues

***The dividend was distributed to shareholders in December 2013 out of past years' retained earnings

April: Starting 1 April 2014, the regulated gas distribution tariff of E.ON Gaz Distributie SA increased by 28% to 33%, depending on the consumption category (based on ANRE Order no. 26 issued on 28 March 2014).

July: According to a merger project endorsed by the boards of the two companies and made public at the beginning of July, E.ON intends to merge through absorption the electricity distributor E.ON Moldova Distributie SA with the gas distributor E.ON Gaz Distributie SA.

November: At the beginning of the month the General Shareholders' Meetings of both companies voted in favour of the merger. Based on the merger project, the Fund's stake in the combined entity will be around 18.3%. The effective date of the merger was 31 December 2014.

E.ON Energie Romania SA

RON million	2012	2013	2014*
Operating Revenues	5,369.3	4,766.7	5,326.0
Operating profit / (Loss)	(15.8)	226.6	159.0
Net profit / (Loss)	(32.6)	224.5	131.0
Dividends	-	-	-

Source: Based on the financial statements prepared in accordance with applicable Romanian accounting regulations

*Budgeted figures

Electrica Distributie Muntenia Nord SA ("EDMN")

RON million	2012	2013	H1 2013	H1 2014
Total revenues	752.3	792.8	396.9	388.3
Operating profit	99.1	132.6	78.1	78.1
Net profit	87.1	126.5	74.9	75.8
Dividends	73.7	105.5		

Source: Based on the financial statements prepared in accordance with applicable Romanian accounting regulations

December: Starting 1 January 2015, the regulated electricity distribution tariffs decreased by 2% for high voltage, and by 3% for medium and low voltage (based on ANRE Order no. 154 issued on 15 December 2014).

Electrica Distributie Transilvania Nord SA (“EDTN”)

RON million	2012	2013	H1 2013	H1 2014
Total revenues	609.1	656.3	325.4	332.8
Operating profit	68.8	88.0	60.7	70.4
Net profit	53.1	63.7	50.8	61.1
Dividends	-	-		

Source: Based on the financial statements prepared in accordance with applicable Romanian accounting regulations

December: Starting 1 January 2015, the regulated electricity distribution tariffs increased by 2% for high voltage, by 1.5% for medium voltage, and by 0.6% for low voltage (based on ANRE Order no. 155 issued on 15 December 2014).

Electrica Distributie Transilvania Sud SA (“EDTS”)

RON million	2012	2013	H1 2013	H1 2014
Total revenues	674.4	716.1	354.8	366.1
Operating profit	61.7	90.3	45.7	76.3
Net profit	45.8	69.3	33.6	66.5
Dividends	-	55.2		

Source: Based on the financial statements prepared in accordance with applicable Romanian accounting regulations

December: Starting 1 January 2015, the regulated electricity distribution tariffs decreased by 0.2% for high and medium voltage, and by 1.5% for low voltage (based on ANRE Order no. 156 issued on 15 December 2014).

Electrica Furnizare SA

RON million	2012	2013	H1 2013	H1 2014
Operating Revenues	4,524.9	4,792.8	2,453.8	2,056.0
Operating profit	99.0	100.1	54.8	141.6
Net profit	90.5	101.5	55.1	130.6
Dividends	42.1	89.3	-	-

ENEL Distributie Banat SA (“EDB”)

RON million	2012	2013	2014*
Operating revenues	636.6	659.3	571.8
Operating profit	181.1	203.4	191.3
Net profit	167.2	190.7	176.1
Dividends	-	-	

Source: Based on the financial statements prepared in accordance with applicable Romanian accounting regulations

*Budgeted figures

April: Starting 30 April 2014, Toni Volpe is the Country Manager and CEO of Enel Romania. Between 2011 and 2014 he was Head of Human Resources Planning, Compensation, Development, Training and Recruiting at Group level, reporting to the Enel Head of Human Resources and Organization. From 2005 to 2011, he was Country Manager in North America for Enel Green Power.

July: Enel Italy announced its intention to withdraw its presence from the Romanian market in the electricity distribution and supply business. Citibank and Unicredit were selected by Enel to advise on the transactions. In the case of Enel Distributie Muntenia SA and Enel Energie Muntenia SA, Fondul Proprietatea has tag along rights for its shares according to the privatisation contract.

December: Starting 1 January 2015, the regulated electricity distribution tariffs decreased by 3.1% for high voltage, by 2.9% for medium voltage, and by 2.2% for low voltage (based on ANRE Order no. 151 issued on 15 December 2014).

ENEL Distributie Dobrogea SA (“EDD”)

RON million	2012	2013	2014*
Operating revenues	509.4	544.5	480.7
Operating profit	103.0	148.9	154.7
Net profit	94.5	133.5	130.6
Dividends	-	-	-

Source: Based on the financial statements prepared in accordance with applicable Romanian accounting regulations

*Budgeted figures

December: Starting 1 January 2015, the regulated electricity distribution tariffs decreased by 0.1% for high and low voltage, and by 0.4% for medium voltage (based on ANRE Order no. 152 issued on 15 December 2014).

ENEL Distributie Muntenia SA (“EDM”)

RON million	2012	2013	2014*
Operating revenues	966.7	997.7	903.4
Operating profit	172.4	220.9	287.7
Net profit	206.3	267.2	254.0
Dividends	-	-	-

Source: Based on the financial statements prepared in accordance with applicable Romanian accounting regulations

*Budgeted figures

December: Starting 1 January 2015, the regulated electricity distribution tariffs decreased by 0.1% for high voltage, but increased by 0.3% for medium voltage, and by 0.7% for low voltage (based on ANRE Order no. 153 issued on 15 December 2014).

GDF Suez Energy Romania SA

RON million	2012	2013	H1 2013	H1 2014	2014*
Turnover	4,047.0	4,127.1	2,242.4	2,332.7	4,448.6
Operating profit	423.3	518.7	428.4	416.9	453.3
Net profit	360.1	447.1	346.7	352.6	352.2
Dividends**	190.0	33.6			

Source: IFRS consolidated financial statements

*Budgeted figures

**Dividends are based on the separate financial statements

April: Starting 1 April 2014 the regulated prices paid by the final consumers connected to the distribution network were reduced, on average, by 3.8% for non-household consumers and 5.7% for households¹⁰.

July: The company announced that it finalised the acquisition of a controlling stake (85.8%) in Congaz Constanta from E.ON Ruhrgas and OMV Petrom. Congaz Constanta is a regional gas distributor which operates approximately 850 km of network. Before this transaction, GDF Suez Energy Romania owned 28.6% in Congaz Constanta.

Hidroelectrica SA

RON million	2012	2013	9 months 2013	9 months 2014	2014*
Turnover	2,402.8	3,083.0	2,283.0	2,477.0	2,522.0**
Operating profit	(321.6)	1,016.0	740.0	832.0	399.9
Net profit / (loss)	(508.0)	718.0	544.0	661.0	246.5
Dividends	-	-	-	-	-

Source: Based on the financial statements prepared in accordance with applicable Romanian accounting regulations

*Budgeted figures

**Operating revenues

July: New top and middle management has been hired for most of the company's key positions: Trading, Finance, Investments, IT, Internal Audit, Internal Control, Procurement and Strategy.

December: Following the implementation of the initiatives to optimise the cost base, and the increase in revenues due to better hydrology, the company reported for the 11 month-period, the strongest profitability in its history: pre-tax profit of RON 1,073 million compared with a pre-tax profit of RON 841 million in 2013.

February 2015: The company preliminary results for the year end 31 December 2014 include a 33% increase in pre-tax profit from RON 901.0 million to RON 1.2 billion.

¹⁰ ANRE Order no. 22 issued on 28 March 2014

Nuclearelectrica SA

RON million	2012	2013	9 months 2013**	9 months 2014**	2014*
Sales	1,652.4	1,932.5	1,425.4	1,306.3	1,816.3
Operating profit	156.5	459.3	357.4	108.0	103.1
Net profit	19.9	426.9	313.6	99.8	99.0
Dividends***	28.5	340.9			47.7

Source: Based on IFRS consolidated financial statements audited

* Budgeted figures

** Based on IFRS separate financial statements unaudited

***Dividends for 2012 are based on the financial statements prepared in accordance with applicable Romanian accounting regulations; Dividends for 2013 are based on the separate IFRS financial statements

January: The company disclosed the ANRE decision no. 3906/20.12.2013 for 2014 whereby Nuclearelectrica will reduce the electricity sold on the regulated market to 3.74 TWh (approx. 35.5% of the electricity production estimated for 2014) from 5.3 TWh in 2013, at a regulated tariff of RON 145.8 /MWh (+2.6% y.o.y). On 23 January 2014 the company started a litigation against this decision due to the fact that the regulator did not recognise in the regulated tariff part of the costs incurred by Nuclearelectrica.

March: The Board appointed Mr Mihai Darie as CFO after a selection process assisted by Quest Advisors, an independent HR company. Mr Darie graduated from the Academy of Economic Studies and he is a member of the ACCA (UK) and CFA Institutes. He has 14 years of experience in the financial industry.

The shareholders' meeting approved Nuclearelectrica's equity investment in Hidro Tarnita SA project company by subscribing new shares with a total value of RON 8.9 million, and also the company's participation to the set-up of HVDCC Romania-Turkey S.A. project Company by subscribing new shares with a total value of EUR 2 million. The Fund challenged in Court the GSM decisions of Nuclearelectrica regarding the approval of the participation to the project and the case is ongoing.

The company released the 2013 preliminary financial statements and the Board submitted its proposal for the dividend payment; 2013 was the best year in the company's history in terms of profitability. The payout ratio proposed by the Board is 81.6%, respectively a gross dividend of RON 1.21 per share. The General Shareholders' Meeting approved the 2013 financial statements on 29 April, together with the proposal for the dividend distributions as approved by the Board.

May: The company released the first quarter 2014 financial results: operating revenues of RON 461 million (-10% y.o.y.), operating profit of RON 89 million (-50% y.o.y.), and net profit of RON 101.8 million (-30% y.o.y.). Electricity production sold was flat y.o.y. at 2.8 TWh, but the average selling price on the competitive market dropped by 13% y.o.y. Profitability was negatively impacted by the tax on special infrastructure, which diminished the operating profit by RON 22 million.

June: The company announced a change in the ANRE's decision for the regulated tariff which will increase starting with 1 July 2014 by 5.6%, from RON 145.8 /MWh to RON 154.07 /MWh.

July: On 31 July 2014 the General Shareholders' Meeting of Nuclearelectrica SA rejected Fondul Proprietatea's proposal to grant variable remuneration linked to the performance of the company's shares for the company's directors.

September: The company announced that it is analysing the opportunity to expand their investment portfolio given the announced potential disposal of Enel's operations in Romania. Any investment decision will be subject to shareholders' decision in a future GSM.

The company updated the bottom line estimate at RON 99 million (vs RON 27.9 million in the previous budget), and a gross profit of RON 124.3 million (+213.5% vs. previous budget). Revenues are increasing by RON 89.7 million mainly on the back of (1) results achieved in the 7 months of 2014 and contracts concluded until end of August, both on the competitive and regulated market, (2) the increase of the transport tariff for the electricity billed to customers from RON 10.02 /MWh to RON 10.32 /MWh as of 1 July (this is matched by the corresponding increase in the cost of energy transport), and (3) first half year of 2014 foreign exchange gains larger than budgeted for the entire 2014 result. Expenses are increasing by RON 5.1 million (+0.3%).

China General Nuclear Power Holding Corporation ("CGN") submitted the only non-binding bid for the EUR 6 billion construction project for two new nuclear reactors at the Cernavoda plant. Nuclearelectrica and CGN may sign an agreement to set up a new project company for the reactors by the year end.

October: The shareholders approved a RON 239.2 million share capital increase of which RON 194.4 million represent the cash contribution of the Romanian State and RON 44.8 million is the maximum amount to be subscribed for by the other shareholders in case they do not want to be diluted. The Fund would need to bring approximatively RON 23.2 million (approximatively EUR 5.3 million) in the share capital increase in order to maintain its current 9.72% stake in the company. As we previously mentioned, the Fund will use all the legal rights to block the share capital increase.

Shareholders also approved the purchase of support services, legal advice and/or representation, brokerage services etc. in connection with a possible acquisition of the assets on sale owned by Enel Group in Romania, and the drafting by the year end of a Board of Directors' report on Nuclearelectrica's development strategy for 2015-2025.

The company announced that CGN was designated the selected investor for the development of Cernavoda Units 3&4. CGN was the sole company to submit an offer for the project, in which CGN would have at stake of at least 51%. The Joint Letter of Intent was signed on 17 October 2014, while the memorandum of understanding will be submitted for Nuclearelectrica's shareholders approval.

November: The company released the 2014 third quarter results: gross electricity production for the quarter was up 0.1% y.o.y. at 3.1 TWh, and electricity sales were down 0.9% y.o.y. to 2.8 TWh. Starting July, the price for the regulated market was hiked to RON 154.1 /MWh, from RON 145.8 /MWh in the first six months of 2014. The net realised price on the competitive market was RON 160 /MWh, down 15% y.o.y.. The average net price in the third quarter of 2014 was RON 158.3 /MWh, down 5% y.o.y., corresponding to a gross price of RON 168.6 /MWh. The 2014 third quarter net profit stood at RON 39 million, down 66% y.o.y., while for the first 9 months 2014 the stand-alone net profit was RON 100 million, down 68% y.o.y..

December: ANRE issued the decision no. 2719/15.12.2014 whereby Nuclearelectrica will reduce the electricity sold on the regulated market to 2.25 TWh (approx. 21.4% of the electricity production estimated for 2015), from 3.74 TWh in 2014 at a regulated tariff of RON 158.63 /MWh (+2.9% vs the regulated tariff for the second half year 2014).

February 2015: According to the preliminary unconsolidated IFRS financial statements for the year ended 31 December 2014, the company reported a net profit of RON 137.1 million (a decrease of 67.6% y.o.y), but over the budgeted net profit approved by the shareholders.

OMV Petrom SA

RON million	2012	2013	9 months 2013	9 months 2014	2014*
Sales	26,258.1	24,185.2	18,150.0	16,195.0	17,140.0
Operating profit	5,662.0	5,957.9	4,556.0	3,449.0	4,405.0
Net profit	3,946.1	4,824.0	3,666.0	2,407.0	3,936.0
Dividends**	1,586.0	1,744.6			

Source: Based on consolidated IFRS financial statements

*Budgeted figures

**Dividends based on separate individual IFRS financial statements

January: OMV Petrom and Exxon Mobil Exploration and Production Ltd. became titleholders for the deep water portion of the XV Midia block, following a Government decision validating the transfer agreement through which the exploration rights were bought from Sterling Resources in October 2012. The participating interests in this block are: ExxonMobil 42.5%, OMV Petrom 42.5%, Gas Plus 15%.

March: The Company announced the decision to consolidate multiple support services into a newly established entity called OMV Petrom Global Solutions SRL, which will provide services to the Petrom and OMV Groups in the countries where they operate. This is part of the company's ongoing efforts to increase efficiency.

May: The company reported results for first quarter 2014: Total sales decreased by 9% to RON 5.3 billion, EBIT decreased by 7% to RON 1.47 billion and net income decreased by 19% to RON 1.07 billion. Total hydrocarbon production reached 16.36 million barrels of oil equivalent ("boe"), a decline of 1% compared to the same period in 2013.

July: OMV Petrom announced a new oil discovery in the shallow water region of the Black Sea, 60 kilometres from shore. The Marina 1 exploration well, which required investments of around EUR 19 million, showed production potential of 1,500-2,000 barrels of oil equivalent per day.

The company announced the start of drilling at the Domino-2 test well in the deep water sector of the Neptun Block offshore Romania in the Black Sea. Data collected during this upcoming drilling program will be used to assess the size and commercial viability of the gas field discovered by the Domino-1 well in 2012. The Domino-2 well is located 200 kilometres offshore and is being drilled from the Ocean Endeavor rig in waters with depths of around 800 meters.

The company announced that it finalised the modernisation project for the Petrobrazi refinery. Total investment in the project was around EUR 600 million over 4 years. The refinery is now fully adapted to process the company's entire crude production in Romania, the product yield structure is better adapted to market demand through increased diesel output, energy consumption has been reduced by 25% compared to 2009 levels, while the refinery's Nelson index has increased to 11.28.

OMV Petrom announced the sale of its 28.59% holding in Congaz Constanta, a gas distribution and supply company with activities in Constanta and along the Black Sea Coast, to GDF Suez SA. This sale was part of the company's exit strategy from the distribution and supply of natural gas to the regulated market. The value of the transaction was not disclosed.

October: The company announced the start of drilling on a new exploration well in the Neptun Block targeting a new prospect 155 km offshore in the Romanian sector of the Black Sea. OMV Petrom is exploring this area in a joint venture with ExxonMobil Exploration where each company holds a 50% stake.

November: OMV Petrom announced results for the first nine months of 2014: compared with the same period of 2013 sales decreased by 10.7% to RON 16,195.0 million, EBIT decreased by 24.3% to RON 3,449.0 million, while net profit decreased by 34.4% to RON 2,407.0 million.

OMV Petrom announced the implementation of a field redevelopment project worth EUR 30 million over 2014-2015 on the Tuzlau field located in North East Romania, with the objective of unlocking additional oil reserves of 3.2 million barrels.

December: The company announced a new onshore discovery of oil and gas in Buzau County, which could potentially be the largest such discovery in the last 30 years in the Muntenia region. Estimates from production tests indicate potential production of 1,200 to 2,100 boe per day from two geological layers. Total investment in the exploration well amounted to EUR 5 million. OMV Petrom is exploring this area in partnership with Hunt Oil.

Romgaz SA

RON million	2012	2013	9 months 2013	9 months 2014	2014**
Sales	3,837.9	3,894.3	2,587.1	3,286.7	5,089.5
Net profit	1,119.2	995.6	796.9	1,114.0	1,160.6
Dividends*	1,060.1	990.6			

Source: Based on audited IFRS financial statements

* Dividends for 2012 are based on the financial statements prepared in accordance with applicable Romanian accounting regulations / dividends for 2013 are based on the separate IFRS financial statements.

**Budgeted figures

March: The company announced that starting 1 April 2014, Mr Dragos Doros resigned from his position as member of the Board of Directors. The Board initiated the process for selecting a new Board member for this vacant position.

May: The company reported results for first quarter 2014. Total sales increased by 25.3% to RON 1.45 billion and net income increased by 82.8% to RON 608.4 million. Gas production was stable compared to the same quarter of 2013 at 1.48 billion cubic meters.

June: Mr. Dumitru Chisalita was appointed as a new member of the company's Board of Directors. Mr. Chisalita has extensive experience in the gas sector, having previously held several roles in Romgaz, including that of CEO and Head of the Commercial Department.

The company announced that starting 13 June 2014, Mr. Adrian Volintiru resigned from his position as member of the Board of Directors. The Board initiated the process for selecting a new Board member for this vacant position.

Romgaz announced that Electrocentrale Galati SA, which is amongst the company's 5 largest clients in terms of volumes delivered, filed for insolvency on 16 June. In 2013 total sales of Romgaz to Electrocentrale Galati reached RON 131 million, equivalent to 4.7% of revenues from domestic gas sales, while in first quarter 2014

sales to this client amounted to RON 54.5 million, equivalent to 5% of revenues from domestic gas sales. As at the end of first quarter 2014, Romgaz reported total provisions related to receivables from Electrocentrale Galati of RON 50.3 million.

July: On 30 July 2014, the General Shareholders' Meeting of Romgaz SA rejected Fondul Proprietatea's proposal to grant variable remuneration linked to the performance of the company's shares to the administrators of the company. In the same meeting, the shareholders appointed Sergiu Manea, Executive Vice-President, Corporate Banking and Capital Markets at BCR, as member of the Board of Administrators.

August: Romgaz announced results for the first 6 months of 2014: compared to the same period of 2013 sales increased by 32.9% to RON 2,526 million, while net profit increased by 39.9% to RON 870.9 million. Total extracted gas increased by 0.1% to 2.86 billion cubic meters, total gas sold increased by 11.6% to 2.92 billion cubic meters, while sales of imported gas decreased by 67.4% to 69.9 million cubic meters.

October: A General Shareholders' Meeting decided, amongst other points, that the company's Board of Directors will draft by the end of 2014 the company's Development Strategy for the period 2015-2025.

November: Romgaz announced results for the first 9 months of 2014: compared to the same period of 2013 sales increased by 27.1% to RON 3,286.8 million, while net profit increased by 39.8% to RON 1,114 million. Total extracted gas increased by 0.7% to 4.23 billion cubic meters, total gas sold increased by 7.9% to 3.84 billion cubic meters, while sales of imported gas decreased by 69.4% to 72.9 million cubic meters.

December: A General Shareholders' Meeting decided, amongst other points, the creation of a separate entity for the activity of underground gas storage, which is 100% owned by Romgaz. This was done in order to comply with EU regulations regarding the separation of natural gas storage and production activities.

According to provisions of Emergency Government Ordinance 86/17.12.2014, the state entity which holds the shares in Romgaz controlled by the Romanian state is the Ministry of Energy, Small and Medium Sized Enterprises and Business Environment.

Societatea Nationala a Sarii SA (Salrom)

RON million	2012	2013	H1 2013	H1 2014
Operating Revenues	303.5	326.9	146.6	133.9
Operating profit	25.3	48.8	21.0	17.6
Net profit	20.8	42.8	18.3	13.4
Dividends	19.0	40.4		

Source: Based on the financial statements prepared in accordance with applicable Romanian accounting regulations

July: the company released the 2014 semi-annual results - compared with the same period of 2013, the revenues decreased by 8.7% to RON 133.9 million, operating profits by 16% to RON 17.6 million, and net profit by 36.6% to RON 13.4 million.

Bankruptcies, Insolvencies and Dissolutions

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

- B A T Service SA (sole registration code 16086637) is a company under bankruptcy procedure starting with 26 May 2010 according to the Decision 666 issued by the Buzau Court related to the file 4339/114/2009.
- FECNE SA (sole registration code 369432) is a company under bankruptcy procedure starting with 4 October 2010, according to the Decision 6001 issued by the Bucharest Court related to the file 23328/3/2006.
- Simtex SA (sole registration code 324490) is a company under reorganisation procedure starting with 10 December 2008, according to the Decision issued by the Bucharest Court related to the file 5768/3/2008.
- Gerovital Cosmetics SA (sole registration code 334493) is a company under bankruptcy procedure starting with 6 January 2010, according to the Decision issued by the Bucharest Court related to the file 22491/3/2007.
- World Trade Center Bucharest SA (sole registration code 364354) is a company under insolvency procedure starting with 8 June 2010, according to the Decision issued by the Bucharest Court related to the file 45619/3/2011.
- Romplumb (sole registration code 2206334) is a company under reorganisation procedure starting with 7 January 2014, according to the Decision no. 19 issued by the Maramures Court related to the file 729/100/2012.

The holdings in these companies are reflected at zero value in the NAV.

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 effects associated with these risk factors on the financial performance of the Fund.

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

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.

Cash accounts with banks (EUR 295, USD 103, GBP 58), receivables (EUR 231,496) and liabilities (EUR 11,499; GBP 16,136) denominated in foreign currency are not material.

The Fund considers that its functional currency is the local currency (RON).

Interest rate risk

The majority of the financial assets of the Fund are not interest bearing. The interest bearing financial assets (deposits and government securities) generally have short-term maturity: deposits generally up to 3 months, treasury bills and short-term government bonds up to 12 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 became more significant in previous years, especially since the latter half of 2008, given the 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 in that period, and these negatively influenced Fund's shareholders' equity. During the following years, including 2014, the impairment adjustments previously booked were partially reversed due to market recoveries, but in certain periods, on downward market trends, additional impairment adjustments were recorded for some of the listed equity investments of the Fund.

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, government securities and dividends receivable.

For government securities held, the credit risk is assessed as low to moderate, given that their issuer is the Romanian State through the Ministry of Public Finance.

Cash held by the Fund that is not invested in portfolio companies or government securities 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 where the financial institution or the institution's corporate parent, have a credit rating 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 unlisted securities, which are not traded on a regulated 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.

Part of the equity securities held by the Fund are listed on the Bucharest Stock Exchange. However, not all the shares listed on the Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions. The Fund prudently manages liquidity risk by maintaining sufficient liquid assets to settle the 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, service providers, 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 avoidance of control procedures that restrict initiative.

v) *Economic environment*

The ongoing uncertainty about the direction of European fiscal politics, responding central bank action and fears of a renewed possible breakup of the European Union (or single countries leaving, like a now less unthinkable Greek exit), continue to add volatility to equity markets, especially for countries with strong links to Europe.

Further uncertainty is linked to recent spikes in volatility in commodity markets, especially from the dramatic fall in oil prices. Companies with a heavy reliance on commodities will face increased uncertainty and their cash flow can be affected.

Both political uncertainty and volatility in commodities can impact the value of the Romanian economy and consequently also the Fund's portfolio companies and its shares.

Management is unable to predict all developments which could have an impact on the Romanian economy and consequently what effect, if any, they could have on the performance of the Fund and its financial statements.

vi) *Risks arising from potential changes in the legislation governing the Fund*

The existence, operation and even the initial structure of the Fund's portfolio are regulated by primary legislation, as well as by secondary legislation such as government decisions and FSA regulations. Hence, it may not be ruled out that the current legal framework be changed so as to directly affect the Fund, and therefore its shareholders.

This risk is sustained by the legislative history of the past few years that reveals a series of laws which have changed also the Fund's portfolio compositions. Such legal changes would have to be carried out in compliance with the constitutional principles regulating the guarantee of the private property.

Notwithstanding to the general principle described above, the numerous instances where the relevant institutional structures have ruled on the unconstitutionality of certain laws, prove that the risk of legislative changes which may adversely affect the Fund and which may be passed in breach of the Constitution may not be ruled out.

Key Financial Activity of the Fund

Fund Liquidity

Summary % net cash & cash equivalents in NAV

RON million	31 Dec 2013	31 Mar 2014	30 Jun 2014	30 Sep 2014	31 Dec 2014
Current accounts	5.6	1.3	0.7	1.1	6.9
Bank deposits	232.1	144.2	490.6	333.2	109.4
Treasury bills and Short-Term government bonds	213.6	289.1	933.5	893.7	194.6
Total liabilities	(31.2)	(35.0)	(639.9)	(50.1)	(41.4)
Net cash & cash equivalents	420.1	399.6	784.9	1,177.9	269.5
Net Assets Value	15,013.7	14,253.3	14,850.5	14,703.4	13,236.7
% net cash & cash equivalents in NAV	2.8%	2.8%	5.2%	8.0%	2.0%

The table above shows the change in the net cash position as a percentage of the NAV.

The overall decrease of the **bank deposits** and **treasury bills and short-term government bonds** as at 31 December 2014, as compared with the end of previous year, was principally due to the funding of the third and fourth buy-back programmes (RON 1,188.7 million) and payment of the return of capital of RON 0.05 per share (total payments in 2014: RON 589.9 million), net of the proceeds from the disposals of portfolio holdings (RON

1,080.2 million) and cash inflows from dividends collected from portfolio companies during the year (RON 682.1 million).

During 2014, net cash & cash equivalent fluctuated, reaching a maximum level, 8% of the NAV, at the end of September, before the beginning of the fourth buy-back programme.

Total Expense Ratio

Total expense ratio of the Fund as at 31 December 2014 was 0.85%, while excluding transaction related expenses this would be 0.73% (2013: 0.58%, and excluding transaction related expenses 0.51%). This figure represents the total expenses of the Fund divided by the period-end NAV. For the purpose of this calculation, expenses do not include foreign exchange losses, cost of equity investments disposed, impairment adjustments, fair value adjustments, expenses with amortisation and provisions or corporate income tax expenses.

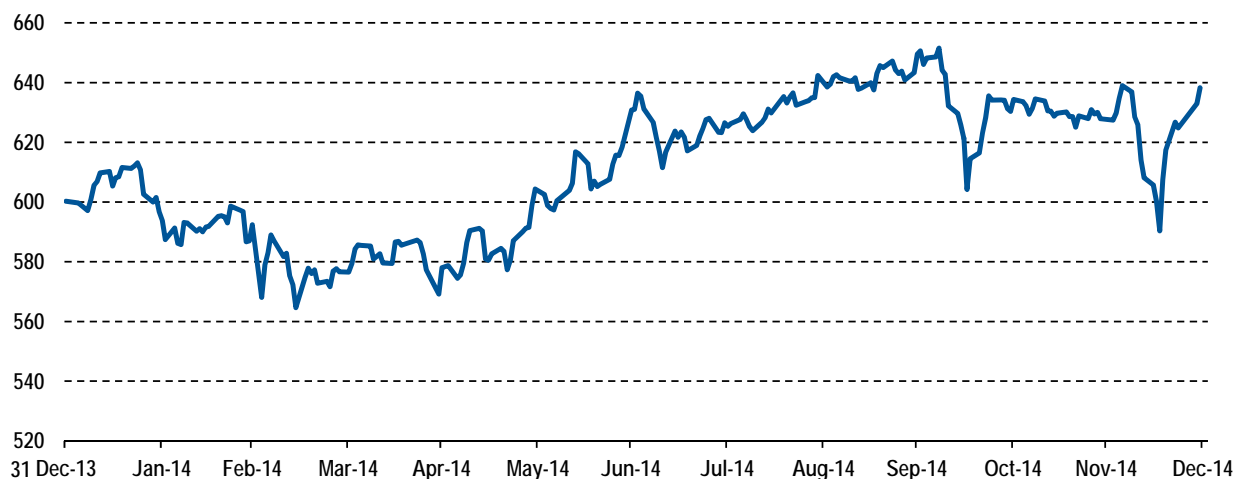
The increase is due mainly to higher Fund's expenses (please see *Financial Statements Analysis* section for more details on the Fund expenses), but also to the lower total NAV at the end of 2014.

Income from Investments

The main objective of the Fund is the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities. As at 31 December 2014, the Fund's exposure to Romanian equities accounted for 98.0% of the NAV (the remaining 2.0% being net cash and cash equivalents).

The BET-XT index, which reflects the performance of the top 25 most liquid stock listed on the Tier 1 of the BVB, increased by 6.32% over the course of 2014.

BET-XT



Source: BVB

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

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

Capital Expenditure

Intangible assets include the value of the licences and implementation costs of the Fund's accounting and reporting software, net of accumulated amortisation.

Litigations and Other Contingencies

1. Litigations

As at 31 December 2014 the Fund was involved in certain litigations, either as defendant or claimant.

The Fund discloses in the financial statements those which may have significant effects on the Fund's financial position or profitability. The most important litigations were as follows:

Some minority shareholders of the Fund (acting individually) have filed litigations against the Fund on various grounds, including some seeking the cancellation of certain resolutions of the General Shareholders' Meeting and others seeking to block the registration of some resolutions with the Trade Register. These litigations are at various stages of process within the Romanian Court system and updates are frequently reported by management through the Stock Exchange news system.

In one of these cases, on 10 October 2012 the Bucharest Court of Appeal rejected the appeal filed by the Fund and upheld the decision of the Bucharest Court to partly admit a claim to annul certain resolutions from the 6 September 2010 GSM relating to among others, the approval of a new Constitutive Act and the first appointment of FTIML as the administrator of the Fund. Also, in November 2013 Court of Appeal has ruled against the Fund in a case filed by litigant shareholder, Ioana Sfiraiala and annulled the EGM Resolution no. 5/2010 for modifying the Constitutive Act.

These decisions are irrevocable and they were implemented by Trade Register, without any changes in the Management of the Fund considering that:

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new changes and versions of the Constitutive Act were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM, the 23 November 2012 GSM, the 25 April 2013 GSM, the 22 November 2013 GSM, 3 February 2014 GSM, 28 April 2014 GSM, 23 September 2014 GSM and 19 November 2014;
- new resolutions passed during the 25 April 2012 GSM, 23 November 2012 GSM, 25 April 2013 GSM, 22 November 2013 GSM, 3 February 2014 GSM, 28 April 2014 GSM, 23 September 2014 GSM and 19 November 2014 specifically ratified and re-approved the objects of all the resolutions to which this Court decision relates (these resolutions were proposed by a shareholder and approved with a significant majority).

Therefore, FTIML as the Fund Manager of Fondul Proprietatea is liable to observe the current Constitutive Act and the shareholders' resolutions in force, and consequently will continue to manage the Fund in accordance with these and its management agreement.

In June 2014, in another case started by the Fund against the same shareholder the court confirmed her circumstantiated abuse of procedural rights against the Fund. Also, there are several court decisions confirming the fact that this shareholder did not prove a legitimate interest to promote certain annulment actions, and in one of these cases the decision is final – the Bucharest Court of Appeal issued the final decision in November 2014. In another file in December 2014 the Bucharest Court of Appeal issued an irrevocable decision maintaining as legal and valid the shareholders' resolutions approved by shareholders in April and November 2013 challenged initially.

The outcome of the ongoing cases cannot be determined with certainty at this stage. However, the Fund Manager intends to defend the interests of the Fund and its shareholders in all these cases in accordance with the applicable laws.

2. Other contingencies of the Fund included:

2.1. The Fund is due to receive the following amounts from the Romanian State:

- 3% of the amounts collected in by the institutions involved in the privatisation process from each sale of shares held with Romtelecom SA, until the sale of the entire participation;
- 20% of the amounts resulting from the privatization of Romtelecom SA;
- 9.9% of the amounts resulting from the privatisation of C.E.C. SA.

These amounts should be recorded as payments for the unpaid capital or as increases of the share capital by the Romanian State once they are collected, with the approval of shareholders, according to the legislation in force.

2.2 The receivables from World Trade Center Bucharest SA:

Title II, Article 4 of EGO 81/2007 stipulates the transfer from the Authority for State Assets Recovery (“AVAS”) to the Fund of receivables from World Trade Center Bucharest SA amounting to USD 68,814,198 (including the original principal and related interest and penalties) on 29 June 2007.

Until 31 December 2014, the Fund recovered from World Trade Center Bucharest SA, USD 510,131, EUR 148,701, RON 8,724,888. Given the uncertainties regarding the recoverability of the amounts due by World Trade Center Bucharest SA, the above amounts were recognised on receipt basis in the Fund’s financial statements.

In August 2013, World Trade Center Bucuresti SA filed a claim against the Fund asking to pay back the amounts received through the enforcement procedure during 2010 and 2011 (EUR 148,701, USD 10,131 and RON 8,829,663). The amounts recovered from the enforcement procedure were originally accounted for by the Fund as contributions of Ministry of Public Finance to the share capital of the Fund, decreasing the receivable related to the unpaid capital.

Consequently, these amounts are to be recovered by the Fund from the Ministry of Public Finance (being accounted for as a receivable over this shareholder of the Fund, for which an impairment adjustment was recorded), while the legal interest was recorded as an expense with provisions for litigations. The next hearing in front of Bucharest Court for this file was set for 27 February 2015.

Currently, World Trade Center Bucharest SA is the object of insolvency procedure, the next hearing being set for 25 March 2015.

By article IV of Law no. 10/2015, the Parliament decided that *“Beginning with the date when this law is in force the receivable mentioned at article 4 of Title II from Emergency Ordinance of the Government no. 81/2007 [...] will be transferred from Fondul Proprietatea to Ministry of Public Finance together with additional interests”*. As a result if this law the Fund will ask the courts to call the Ministry of Public Finance in the two files mentioned above.

For further details regarding the updates on the change of legislation regarding the Fund’s activity, please read *Significant Post Balance Sheet Events section*.

3. Contingent liability: Distribution fees payable to the Fund Manager

In September 2014 the shareholders approved the execution of the Addendum no. 2 to the Management Agreement no. 45 dated 29 April 2014 (“new IMA”), signed between the Fund and FTIML (“Addendum no. 2”), referring to the distribution fees payable by the Fund to the Fund Manager in relation to the non-dividend distributions to shareholders. The Addendum no. 2 will enter into force only after FSA endorsement, and it was not approved by FSA as at 31 December 2014. However, in January 2015, the Title VII of Law no. 247/2005 governing mainly the organisation and functioning of the Fund was amended, clarifying the status of private company of the Fund, the shareholders being able to freely decide with respect to its governing and functioning. Following this change in legislation, the endorsement of the Addendum no. 2 by the FSA is expected.

According to Addendum no. 2, a distribution fee of 2% (in the period 30 September 2014 – 31 October 2015) and 1% (in the period 1 November 2015 – 30 September 2016) of the value of non-dividend distributions would be payable by the Fund to the Fund Manager. The Addendum no. 2, states that the distribution fee is payable retrospectively, starting 30 September 2014.

The contingent liability of the Fund related to the distribution fees for the period 30 September – 31 December 2014 is of RON 19.4 million.

Market for Securities Issued by the Fund

Trading of the Fund's Shares

As at 31 December 2010 the shares issued by the Fund were not traded 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 investment company), 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.

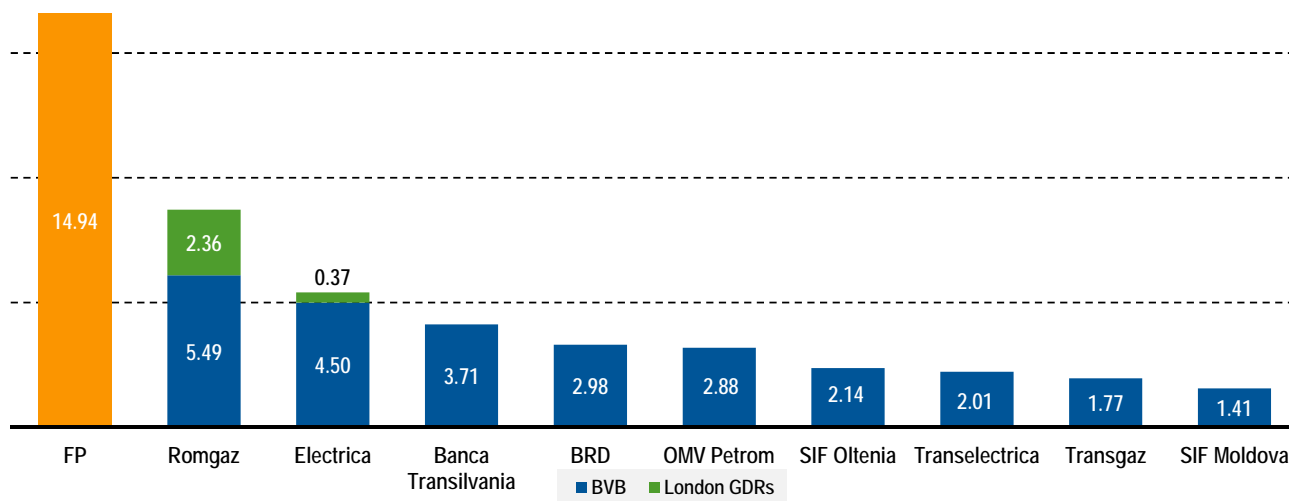
The Fund applied for admission to trading in December 2010 in the Tier I category of the BVB. The Fund's listing prospectus was approved by the CNVM on 16 December 2010.

The prospectus included 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 allows 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.

Since 25 January 2011 the Fund shares have been listed in the Tier I category of the regulated market of the BVB under ISIN number ROFPTAACNOR5, and market symbol FP.

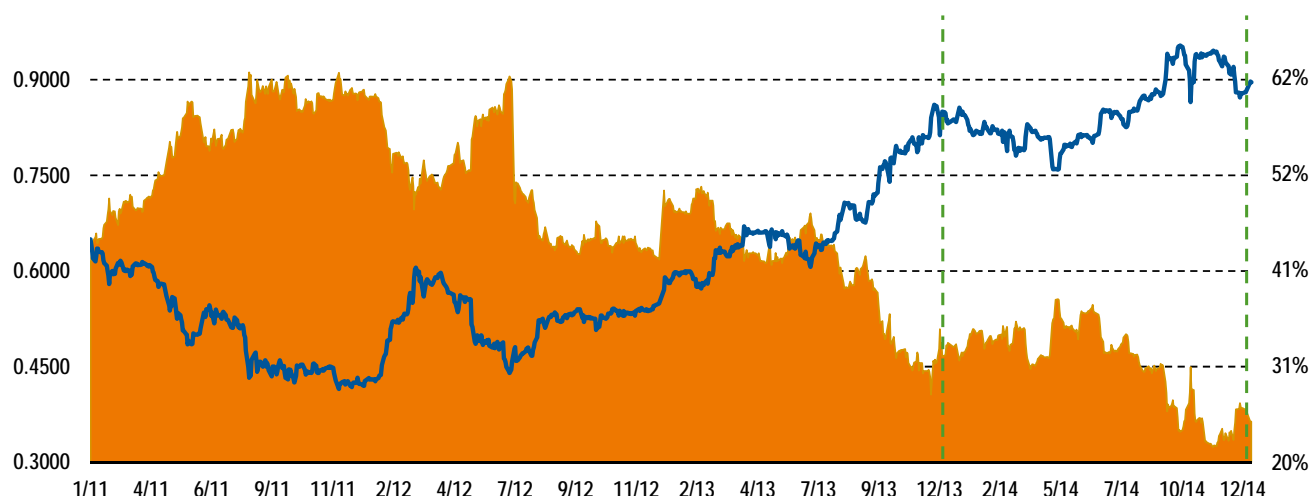
The records of shares and shareholders of the Fund are kept under the conditions of the applicable law by an independent registrar, Depozitarul Central SA ("Central Depository"), with the registered office at Bucuresti, 34-36 Carol I Avenue, floors 3, 8 and 9, 2nd district.

Annual Average Daily Turnover in 2014 (RON million)



Source: BVB, Bloomberg

Fund's Share Price and Discount History (RON/share)



Source: BVB

Distributions to Shareholders

Key information on the Fund's distribution history is included in the table set out below:

Description	Paid in	Gross distribution declared (RON)	Gross distribution per Share	Total number of shares *	Status of distribution payment (%)	Deadline for distribution collection by shareholders
2006 Dividend	2007	36,076,046	0.00250	14,240,540,675		30 June 2012 (Dividend collection right cancelled)
2007 Dividend	2008	89,997,678	0.00660	13,644,179,910		30 June 2012 (Dividend collection right cancelled)
2008-2009 Dividend (aggregate)	2010	1,124,316,804	0.08160	13,778,392,208		11 October 2013 (Dividend collection right cancelled)
2010 Dividend	2011	432,729,046	0.03141	13,776,792,208		30 June 2014 (Dividend collection right cancelled)
2011 Dividend	2012	507,658,517	0.03854	13,172,250,055	> 99%	30 June 2015
2012 Dividend	2013	536,437,206	0.04089	13,119,031,695	> 98%	28 June 2016
Distribution - Return of capital	2014	601,325,852	0.05000	12,026,517,031	>98%	25 July 2017

* Being the number of shares qualifying for the dividend, defined as the number of shares in issue, excluding any unpaid shares and any treasury shares acquired via buy-backs (where applicable) at the registration date decided upon by the Ordinary General Shareholders' Meeting ("OGSM") approving the dividend distribution.

2014 Profit Allocation Proposal

The Fund's 2014 audited net profit was RON 1,012,898,265. The Fund is obliged to make transfers of at least 5% of the Fund's profit to the legal reserves until these reserves reach a value equivalent to 20% of the value of the issued share capital of the Fund. Following the 2014 transfer of RON 51,476,313 the value of these reserves is RON 243,735,507 (being 2.1% of the issued share capital).

The Fund Manager proposes to keep the remaining RON 961,421,952 within unallocated retained earnings, due to the fact that, according to the official interpretation of the FSA on the definition of 'net asset value' for the Fund, dividend distributions cannot be made to shareholders at the present time, because the Fund's shareholders' equity calculated in accordance with Romanian Accounting Regulations, RON 9,339.0 million is lower than the share capital of the Fund, RON 11,815.3 million.

The Fund Manager has already recommended, and the shareholders have approved (on 21 January 2015), a cash distribution of RON 0.05 per share via the decrease of the share capital through the reduction of the nominal value of the Fund's shares. Based on our current understanding of Romanian tax law, no Romanian tax will arise for the Fund or its shareholders on this distribution.

The decrease of share capital is subject to the endorsement from the FSA. The payments to shareholders for this cash distribution is expected to start on 29 June 2015.

In addition, the Fund Manager will seek to return further value to shareholders by continuing to buy-back shares.

Please see the *Analysis of the Activity of the Fund* section for the official interpretation of the FSA on the definition of “net asset value” for the Fund and for the update of the Fund’s annual cash distribution policy.

Buy-back Programmes

The Third Buy-back Programme

The third buy-back programme, approved by shareholders on 22 November 2013, started in March 2014. On 24 July, the Fund announced the completion of the programme, through which the Fund Manager acquired 252,858,056 shares of the Fund (equivalent to 2.02% of the Fund’s paid-up share capital) through daily acquisitions on the Bucharest Stock Exchange. The total value of the buy-back programme was RON 205,460,540 (excluding brokerage fees and other acquisition related costs), and the average price was approximately RON 0.8125 per share. The shareholders approved the cancellation of the shares repurchased in the third buy-back programme at the 23 September 2014 General Shareholders’ Meeting. For further details regarding the cancellation of the shares repurchased in the third buy-back programme, please read *Share Cancellation* section and *Significant Post Balance Sheet Events* sections.

The Fourth Buy-back Programme

The fourth buy-back programme refers to the acquisition of a maximum number of 990,855,616 shares. The price range is a minimum of RON 0.2 per share and a maximum of RON 2.0 per share. The buy-back programme started on 1 October and can be executed until 27 November 2015. The shares repurchased during the fourth buy-back programme will be cancelled. On 20 October, the Fund Manager announced its intention to accelerate the buy-back programme via a Public Tender Offer to acquire 750 million shares, and selected Raiffeisen Bank to provide brokerage services for the Tender Offer. The price offered was RON 1.11 per share and the subscription period was 3 November – 2 December. On 4 December, the Fund Manager announced the results of the Tender Offer: 10,109,789,738 total shares subscribed (an oversubscription rate of 13.48 and an allocation ratio of 0.0741855191). As at 31 December 2014, the total number of shares repurchased during the fourth buy-back programme was 904.5 million, representing 91.3% of the total programme, at an average share price of RON 1,0743 per share.

As at 31 December 2014, the total value of the shares acquired in the fourth buy-back programme was RON 986.5 million, out of which related fees were RON 14.7 million, including fees charged by the FSA in amount of RON 12.5 million.

For further details on the fourth buy-back programme, please read *Significant Post Balance Sheet Events* section.

The Fifth Buy-back Programme

On 19 November 2014 the Fund’s shareholders approved the fifth buy-back programme that refers to the acquisition of a maximum number of (i) 227,572,250 shares or (ii) 10% of the subscribed share capital at the relevant time, whichever is the lesser, starting with the date when the share capital decrease approved through EGM Resolution on 23 September 2014 (regarding the cancellation of the shares purchased by the Fund during the third buy-back programme) is effective until August 2016. The buy-back shall be performed at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share. The buy-back transaction can only be applied for fully paid shares. The shares purchased will be cancelled. This buy-back programme implementation will be subject to the availability of the necessary cash.

For further details on the fifth buy-back programme, please read *Significant Post Balance Sheet Events* section.

Subsidiaries Owning Fund’s 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 2014.

Corporate Governance of the Fund

The Fund has a clear and transparent corporate governance framework that was concluded in 2011. The framework sets 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 and is published on the website of the Fund. The Fund develops and updates its corporate governance framework, so that it can meet new demands and opportunities.

The Fund has a transparent decision making process, relying on clear rules, in order to enhance shareholder confidence. It also contributes to the protection of shareholders' rights, improving the overall performance of the Fund, offering better access to capital and risk mitigation.

The Fund lends great importance to the principles of good corporate governance and, coinciding with its listing at the start of 2011, has adhered to the Bucharest Stock Exchange Code of Corporate Governance.

In September 2010, a one-tier system of governance was implemented in the Fund, as a result of the implementation of the rules established by Government Ordinance 81/2007. Although the Fund is currently administrated under a one-tier system, the role of the Board of Nominees is similar to the role of a Supervisory Board, with a few exceptions.

Since adopting the one-tier system, the Fund is administrated by the Sole Administrator, who is also the Fund Manager. The Sole Administrator manages the daily operations of the Fund and, as Fund Manager, implements the investment strategy on behalf of the Fund. The Board of Nominees, appointed by the shareholders, acts as a monitoring body and follows the activity of the Sole Administrator and Fund Manager, verifying the execution of the Investment Management Agreement.

The powers and duties of the above mentioned bodies are described in a number of official documents:

- the Constitutive Act of the Fund which is attached to this report in Annex 8 and is also available on the Fund's website; also, on Fund's website are published all Shareholders resolutions that modified the Constitutive Act;
- the Investment Management Agreement, signed between the Fund and Franklin Templeton Investment Management Limited United Kingdom and the first addendum, both also available on the Fund's website;
- the Investment Policy Statement approved by shareholders in November 2013 and the new Investment Policy Statement approved by shareholders in April 2014, both also available on the Fund's website; and
- other internal regulations.

Commitment to Follow the Principle of Corporate Governance

In accordance with best corporate governance practice, the Fund is managed in a climate of transparency, based on open discussions between the Sole Administrator and the Board of Nominees.

Both Sole Administrator and its employees and the members of the Board of Nominees have a duty of care and loyalty towards the Fund. Hence, the Sole Administrator and the Board of Nominees pass their resolutions as required for the welfare of the Fund, primarily in consideration of the interests of shareholders and investors.

General Shareholders Meeting

Any General Shareholders Meeting shall be convened whenever necessary by the Sole Administrator, with the prior approval of the Board of Nominees, in accordance with the provisions of the law. The date of the meeting may not be less than 30 (thirty) calendar days after publishing the convening notice in the Official Gazette of Romania Part IV. The convening notice shall be published in the Official Gazette of Romania, Part IV, and in one of the widely distributed newspapers in Romania.

In exceptional cases, when the Fund's interest requires it, the Board of Nominees may convene the General Shareholders' Meeting. Any convening notice will be sent to the Bucharest Stock Exchange and to the Financial Supervisory Authority (former National Securities Commission) in accordance with the capital markets regulations. Any convening notice will also be published on the Fund's website in the General Shareholders' Meeting section, together with any explanatory document related to items included on the meeting agenda.

The annual financial statements are made available starting with the date of the convening notice of the Annual Ordinary General Shareholders Meeting convened to resolve upon them.

General Shareholders Meeting Organisation

The GSM is usually chaired by one of the legal representatives of the Sole Administrator, who may designate another person to chair the assembly. The chairman of the Meeting designates two or more technical secretaries to verify the fulfilment of the formalities required by law for the carrying out of the Meeting and for the drafting of the minutes thereof.

The minutes, signed by the Chairman and by the technical secretaries, shall ascertain the fulfilment of the formalities relating to the convening notice, the date and place of the Meeting, the agenda, the shareholders present, the number of shares, a summary of the issues discussed, the resolutions passed and, upon the request of the shareholders, the statements made by such shareholders during the meeting.

The resolutions of the General Shareholders Meeting shall be drafted pursuant to the minutes and shall be signed by the person empowered by the shareholders to do this. In observance of the capital market regulations, the resolutions of the General Shareholders Meeting will be disseminated to the Bucharest Stock Exchange and the Financial Supervisory Authority (former National Securities Commission) within 24 hours after the event. The resolutions will also be made available on the Fund's website under the respective General Shareholders Meeting section.

General Shareholders Meeting Main Duties

The main duties of the Ordinary General Shareholders Meeting are the following:

- a) to discuss, approve and amend the annual financial statements after reviewing the reports of the Fund Manager and financial auditor;
- b) to establish the distribution of the net profit and to establish the dividends;
- c) to appoint the members of the Board of Nominees ("BoN") and to cancel their appointment;
- d) to appoint the Fund Manager in accordance with the law 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 Board of Nominees, the Fund Manager and of the financial auditor for financial audit services for the ongoing fiscal year;
- 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 approve the strategies and the development policies of Fondul Proprietatea;
- j) to establish the annual income and expenditure budget 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.

The Extraordinary General Shareholders Meeting is entitled to decide mainly upon:

- 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 document which may create binding obligations to Fondul Proprietatea including, without limitation to, agreements for purchase, sale or exchange or creation of encumbrances of the

non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables;

- i) change of the management system of Fondul Proprietatea;
- j) limitation or cancellation of the preference right of the shareholders;
- k) approves the Investment Policy Statement;
- l) any other amendment of the Constitutive Act or any other resolution requiring the approval of the Extraordinary General Shareholders' Meeting, according to applicable law or to this Constitutive Act.

During 2014, there were 7 General Shareholders' Meetings and issued 20 Extraordinary General Shareholders' Meeting resolutions and 19 Ordinary General Shareholders' Meeting resolutions.

Board of Nominees

The Board of Nominees consists of five members appointed by the Ordinary General Shareholders Meeting in accordance with the provisions of the Constitutive Act in force.

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 liable for decisions taken within its field of competence.

An independent member is defined as one who does not maintain, nor has 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 them.

The Board of Nominees ensures that consultative committees (Nomination and Remuneration Committee and Audit Committee) are constituted to examine specific topics chosen by the Board and to report to the Board. One independent Board of Nominees 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.

The members of the Board of Nominees may be shareholders of the Fund.

The structure of the Board of Nominees as at 1 January 2014 was the following:

Name	Position
Mr Sorin-Mihai Mîndruțescu	Chairman
Mr Mark Gitenstein	Member
Mr Julian Rupert Francis Healy	Member
Mr Steven Cornelis van Groningen	Member
Mr Piotr Rymaszewski	Member

During 2014 there were no changes in the structure of Board of Nominees.

Mr Sorin-Mihai Mîndruțescu is the Chairman of the Board of Nominees. Mr Mîndruțescu has extensive experience in corporate finance and in the banking industry. From 1994 until 2001 he held various senior positions in a number of large Romanian credit institutions. From 2009 until 2012 Mr Mîndruțescu was Chairman of the Board of Directors of the American Chamber of Commerce Romania (AmCham). Currently Mr Mîndruțescu is a managing director with Oracle Romania. Mr Mîndruțescu holds MBA qualifications from both The University of Edinburgh Management School and ENCP School of International Management in Paris. As at 31 December 2014 Mr Mîndruțescu held no shares issued by the Fund. Mr Mîndruțescu is an independent member.

Mr Mark Gitenstein is special counsel in the Government & Global Trade practice in Mayer Brown's Washington DC office. He was appointed in 2009 by President Barack Obama to serve as the United States Ambassador to Romania, completing his term of service at the end of 2012. As US Ambassador to Romania, he worked to strengthen relations with Romania on a variety of issues. He actively promoted deeper development of Romania's equity market, as well as a fair and transparent business environment for all investors. He also encouraged greater private sector involvement in state-owned enterprises (SOEs), including the introduction of a corporate governance code for SOEs. In 2012, Romanian President Traian Băsescu awarded Mark with the "Star of Romanian Grand Cross," the country's highest civil order and that same year Nine O'clock designated him as the Best Foreign Diplomat for 2012. Before undertaking his ambassadorial role, Mr Mark Gitenstein spent two decades as a partner at Mayer Brown. Additionally, he was a non-resident senior fellow in governance studies at

the Brookings Institution, where he specialised in issues related to national security and civil liberties. Before joining Mayer Brown Mark served for 17 years on the staff of the US Senate Judiciary and Intelligence committees, 13 of those years working for then Senator Joe Biden. He is the author of *Matters of Principle*, an award winning book on his experience managing the Judiciary Committee staff during the confirmation battle over the nomination of Robert Bork to the Supreme Court. As at 31 December 2014, Mr Gitenstein held no shares issued by the Fund. Mr Gitenstein is an independent member.

Mr Julian Healy has long and extensive experience of banking and investment management in emerging markets and particularly in Central and Eastern Europe. He is a Member of the Institute of Chartered Accountants in England and Wales. Mr Healy also acts as a non-executive director on a number of company boards of directors. As at 31 December 2014, Mr Healy held no shares issued by the Fund. Mr Healy is an independent member.

Mr Steven Cornelis van Groningen has extensive experience in banking area, and is the President and CEO of Raiffeisen Bank SA Romania. Mr van Groningen previously occupied senior management positions in ABN AMRO Bank (in Romania, Russia and Hungary). Mr van Groningen is the Vice-President of Foreign Investors Council in Romania. As at 31 December 2014, Mr van Groningen held 462,908 shares issued by the Fund. Mr van Groningen is an independent member.

Mr Piotr Rymaszewski has experience in finance, turnaround, real estate and law. He is a CEO of Octava S.A., a company listed on the Warsaw Stock Exchange. He also acts as executive and non-executive director on a number of boards of both listed and unlisted companies. As at 31 December 2014, Mr Rymaszewski held no shares issued by the Fund.

The main duties of the Board of Nominees include:

- (1) Following the information received from the Fund Manager with regard to the summoning of the Ordinary and/or Extraordinary General Shareholders Meeting requests, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the General Shareholders Meeting;
- (2) Receives from the Fund Manager the information in connection with the answers to the written requests submitted before the date of the General Shareholders Meeting, 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 analyses them, being able to formulate an opinion to be presented to both the Fund Manager and the general meeting;
- (4) Receives from the Fund Manager for analysis the annual report and the management policy of Fondul Proprietatea and presents an opinion to the Fund Manager and to the General Shareholders Meeting regarding such;
- (5) Receives from the Fund Manager for analysis the yearly income and expenditure budget before it is submitted to the approval of the General Shareholders Meeting and presents an opinion to the Fund Manager and to the General Shareholders Meeting regarding such;
- (6) Receives from the Fund Manager for analysis the strategy in accordance with the Fondul Proprietatea's investment policy before to be submitted to the approval of the General Shareholders Meeting and presents an opinion to the Fund Manager and to the General Shareholders Meeting;
- (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 Shareholders Meeting for the conclusion of the financial audit agreement and presents an opinion to the Fund Manager and to the General Shareholders Meeting;
- (9) Reviews on a regular basis the investment policy of Fondul Proprietatea and presents an opinion to the General Shareholders Meeting as any time it deems necessary, but in any case, at least once a year to the Annual Ordinary Meeting;
- (10) Receives the report of the internal auditor and presents an opinion to the Fund Manager and to the General Shareholders Meeting;
- (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 transactions occurring in the Fondul Proprietatea portfolio for the period under review;

- the total profit of the portfolio and comparison of profit with the appropriate market benchmark;
- comparison of the obtained profit with the initial objective;
- the extent of compliance with the investment policy, as well as any variations and actions taken to get the correct results;
- the performance evaluation report.

The Board of Nominee shall draft and present to the General Shareholders Meeting an annual report regarding the monitoring activity performed or a monitoring report for another period agreed by the General Shareholders Meeting;

- (12) Represents the General Shareholders Meeting in relation with the Fund Manager from the communication point of view between the two corporate bodies, except for the cases expressly regulated by the Constitutive Act as a direct communication between the general meeting 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 Shareholders Meeting;
 - (14) Under the conditions of art. 13 paragraphs (11) and (14) from the Constitutive Act, calls upon the General Shareholders Meeting;
 - (15) Participates to the General Shareholders' Meetings and presents in this meeting reports in all cases provided by the Constitutive Act or with regard to any issue it deems to be relevant for the shareholders;
 - (16) Proposes to the General Shareholders Meeting the prior approval or rejection of any contract/document which may create binding obligations to Fondul Proprietatea, including without limitation buying, selling, exchanging, pledging of non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables;
 - (17) Recommends to the General Shareholders Meeting the termination of the management contract for the case when the Board of Nominees considers this is to the benefit of the shareholders.
 - (18) Recommends to the General Shareholders Meeting on any other issues the Board of Nominees is considered relevant to the shareholders.
 - (19) Following of proposal of Fund Manager, recommends to the Extraordinary General Shareholders Meeting 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.
 - (20) Approves the delegation by the Fund Manager of certain activities. The delegation will be in force after the approval of FSA, where required by legislation in force.
 - (21) Is responsible for monitoring the Fund Manager performance of the Investment Management Agreement.
- During 2014 there were meetings of Board of Nominees and there were issued 70 decisions.

Committees

An Audit Committee composed of two Board of Nominees members was established to provide assistance to the governing bodies of the Fund in the area of internal control and financial reporting. This committee reviews the annual financial statements and the proposal for profit distribution. In addition, the Audit Committee analyses the proposal for appointing the independent financial auditor, who is appointed by shareholders at an Ordinary General Meeting.

The Committee also supervises the Fund's risk management strategy and its financial performance and assesses any issues brought to its attention by the internal auditor.

The Sole Administrator reports to the Audit Committee at least once a year on the audit plan and any material relevant matters.

The Audit Committee includes members that have the necessary expertise in the area of financial audit and accounting. As at 31 December 2014 the Audit Committee members were Mr Healy and Mr van Groningen.

A Nomination and Remuneration Committee composed of three Board of Nominees members was established to provide assistance to the governing bodies of the Fund in the area of nomination and changes in remuneration.

As at 31 December 2014 the Nomination and Remuneration Committee members were Mr Gitenstein, Mr Mîndruțescu and Mr Rymaszewski.

Directive 2011/61/EU on Alternative Investment Fund Managers (“AIFMD”)

The AIFMD is a European Union Directive that entered into force on 22 July 2013. This Directive lays down comprehensive and effective regulatory and supervisory rules for managers of alternative investment schemes that are addressed to professional investors. The harmonised European standards for alternative investment fund managers have the objective of enhancing the transparency of the activities of AIFM and the funds they manage towards investors and public authorities. The Directive regulates:

- EU fund managers that manage alternative investment funds (“AIFs”);
- fund managers that manage AIFs established in the EU; and
- fund managers that market the units or shares of an AIF in the EU.

AIFMD implementation in Romania suffered a material delay and in October 2014 the European Commission sent a formal request to Romanian Government for notification regarding full enactment of the AIFMD.

Based on the current available public information, it is envisaged that AIFMD will be implemented in Romania via a law to be approved by the Parliament. The draft of law was published on the webpage of the Romanian Senate and we expect that transposition will take place by the end of March 2015. According to the draft published on the webpage of the Romanian Senate the law enters into force within 30 days after its publication in Official Gazette and the managers have the obligation to file the documentation in order to licence within 12 months after the law enters into force.

The Fund Manager will announce its proposal regarding the application of Law for implementing AIFMD after the law is published in Official Gazette.

The Sole Administrator

The Sole Administrator is appointed and/or revoked by the Ordinary General Shareholders Meeting.

During 2014 there were two mandates for the Fund Manager and Sole Administrator of the Fund.

- A. Between 1 January and 29 September 2014 it was in force the Sole Administrator’s mandate started on 29 September 2010 that run until 29 September 2014.

In November 2013 the shareholders of Fondul Proprietatea approved a change of the Constitutive Act regarding the duration of the mandate of the Fund Manager, as follows:

“The mandate of the Fund Manager is of 2 years. The Fund Manager will call an Ordinary General Meeting of the Shareholders to be held at least 6 months before the termination of the duration of the mandate of the Fund Manager with the agenda of approving the renewal of the Fund Manager’s mandate or starting the selection process of a new Fund Manager and the negotiation of the management agreement to be concluded with the selected candidate. After the selection of the candidate, the Fund Manager will immediately call an Ordinary General Meeting of the Shareholders with the agenda of appointing the selected candidate as Fund Manager and authorising the execution of the relevant investment management agreement and fulfilment of all relevant formalities for the authorisation and legal completion of such appointment”.

This change of the Constitutive Act was endorsed by the FSA on 17 April 2014 and entered into force on 17 April 2014.

- B. On 28 April 2014, the shareholders of the Fund approved the renewal of the mandate of the Fund Manager and Sole Director for two years beginning with 30 September 2014. The new mandate was registered with the Trade Register and endorsed by the FSA. The new Investment Management Agreement, as amended by Addendum 1, entered into force beginning with 30 September 2014.

The Sole Administrator issues decisions regularly and whenever necessary for the daily operations of the Fund.

Currently, 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 executive management. It acts in the best interests of the Fund and protects the general interests of the shareholders.

FTIML, as Sole Administrator, is regulated by the Romania Financial Supervisory Authority. Franklin Templeton Investment Management Limited United Kingdom is authorised and regulated by the UK Financial Conduct Authority (“FCA”) and is registered as a foreign investment adviser with the United States Securities and Exchange Commission (“SEC”). Franklin Templeton Investment Management Limited United Kingdom applies global best practices to meet its regulatory obligations and compliance with laws. These include:

- Code of Ethics to which all employees are bound;
- Conflicts of Interest Policy to evidence compliance by the Sole Administrator with the conflicts of interest requirements as set out in the European Markets in Financial Instruments Directive (“MiFID”) of 2004;
- Data Protection Policy to ensure that its business operations comply with the Data Protection Regulation;
- Anti-Bribery Policy to ensure that employees of Franklin Templeton Investment Management Limited United Kingdom comply with the U.S. Foreign Corrupt Practices Act (“FCPA”) and applicable anti-bribery and anti-corruption regulations of the local jurisdictions where Franklin Templeton Investment Management Limited United Kingdom operates;
- Compliance Manual, which set the compliance framework, describing the generic compliance and regulatory requirements and the consequences of failure to comply;
- Personal Investments and Insider Trading Policy designed to prevent Franklin Templeton employees from engaging in prohibited insider trading and to fairly disclose non-public information;
- Gifts and Entertainment Compliance Policy, the Policy is intended to deter providers of gifts or entertainment from seeking or receiving special favors from employees of Franklin Resources Inc;
- 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.

The Main Duties of the Sole Administrator

As provided by the Constitutive Act, the Investment Management Agreement and Investment Policy Statement, the main duties of the Sole Administrator, performed under the control of the General Shareholders Meeting and the monitoring of the Board of Nominees, are:

- fulfils the necessary and useful operations to achieve the Fund’s business objective, except for the operations reserved by the law for the General Shareholders Meeting, and has all the obligations attributed to it by the applicable law; establishes a reference date for shareholders entitled to vote within the general meeting, under the law, and draft the text of the announcement on the convocation of the general meeting, after obtaining the prior approval of the Board of Nominees and after it added to the agenda the matters requested by the Board of Nominees;
- gives responses after obtaining the prior approval of the Board of Nominees regarding the aspects concerning the business of Fondul Proprietatea upon the written request of any shareholder submitted before the date of the general meeting of the shareholders;
- ensures that, if requested by any of the shareholders, a copy of or extract of the minutes of the general meeting shall be given to them and also, after the announcement of the Ordinary Annual General Shareholders Meeting is published, makes available to the shareholders the financial statements of the company and the reports of the Fund Manager and of the company’s financial auditors,
- prepares the annual financial statements, drafts the annual activity report, examines the financial auditors’ report, presents them to the Board of Nominees before submitting such documents to the General Shareholders Meeting and makes proposals on the distribution of the profit to the General Shareholders Meeting, after obtaining the prior approval of the Board of Nominees;
- manages the relationship with the Central Depository with regard to its shareholders register functions,
- prepares 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 Shareholders Meeting;
- proposes for the prior approval of the Board of Nominees and further, of the General Shareholders Meeting, of the yearly income and expenditure budget and business plan;

- proposes for the prior approval of the Board of Nominees and further, of the General Shareholders Meeting of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea;
- implements the investment policy and achieves a proper balance between the profits and the risks related to the Fondul Proprietatea portfolio;
- informs periodically the Board of Nominees on any significant changes in the activities of Fondul Proprietatea and within the structure of its portfolio;
- approves the outsourcing of certain activities, within the limits of the approved budget; respectively delegating the execution of certain activities, with the prior endorsement of the FSA, where required by applicable legislation;
- submits to the approval of the Extraordinary General Shareholders Meeting any agreement / document which may create binding obligations to Fondul Proprietatea, including but not limited to the purchase, sale, conversion or encumbrance of the non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables, based on the proposal of the Board of Nominees;
- enters into any agreement / document which may create binding obligations to Fondul Proprietatea, including the purchase, sale, conversion or encumbrance of the non-current assets of Fondul Proprietatea whose value does not exceed, either individually or cumulated, during a financial year, 20% of the total value of the non-current assets, less any receivables, without the approval of the Ordinary or Extraordinary General Shareholders Meeting;
- proposes to the Ordinary General Shareholders Meeting the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees;
- approves the procedure of internal audit and the audit plan;
- decides the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;
- makes available to the Board of Nominees the reports, as well as other necessary documents for exercising the monitoring duties, in accordance with the Constitutive Act;
- informs at once the Board 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;
- calls the general meeting which shall decide properly whenever an issue appears on which the Board of Nominees has a disagreement with the Fund Manager, which cannot be resolved amiably;
- proposes to Board of Nominees the recommendation for the Extraordinary General Meeting of the Shareholders for the appointment of the investment firm/ investment bank who shall manage a public offer, as well as on its remuneration, when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.

The Sole Administrator coordinates the strategy of the Fund.

The Sole Administrator ensures that the provisions of the relevant European and Romanian capital markets legislation are complied with and implemented by the Fund, as earlier presented within this chapter. Likewise, the Sole Administrator ensures the implementation and operation of an accounting, risk management and internal controlling system which meets the requirements of the Fund.

The employees of the Sole Administrator and the persons closely related to them and to the Sole Administrator (the latter term was defined in the applicable capital markets regulations under the Romanian phrase of “persoană aflată în relații apropiate cu persoane exercitând funcții de conducere”) have the duty to report to the Sole Administrator and to the FSA any and all trading/business performed for their own account with (i) shares or other securities issued by the Fund and admitted for trading on regulated markets; and/or (ii) derivative financial instruments relating to securities issued by the Fund and/or (iii) any other instruments relating thereto.

The Sole Administrator has the duty to disclose immediately to the Board of Nominees any material personal interests it may have in transactions of the Fund as well as all other conflicts of interest.

Sole Administrator conducts all business according to the principle that it must manage any conflicts of interest fairly between itself and its client (including the Fund) or between multiple clients. The Franklin Templeton group has group-wide policies for managing conflicts of interest and ensuring the ethical conduct of its entire staff which

apply to the Sole Administrator. These policies were designed to evidence compliance with the conflicts of interest requirements as set out in the European Markets in Financial Instruments Directive of 2004 and were also submitted to FSA during the course of the Sole Administrator's licensing application.

All business transactions between the Fund and the Sole Administrator as well as persons or companies closely related to it must be in accordance with the normal industry standards and applicable corporate regulations.

During 2014, the Sole Administrator issued 52 resolutions on all matters requiring its approval in accordance with the Constitutive Act.

The Sole Administrator of the Fund

In June 2009, the Fund nominated Franklin Templeton Investment Management Limited United Kingdom 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 Franklin Templeton Investment Management Limited United Kingdom. The Bucharest Branch of Franklin Templeton Investment Management Limited United Kingdom 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 Franklin Templeton Investment Management Limited United Kingdom 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 Franklin Templeton Investment Management Limited United Kingdom 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 Franklin Templeton Investment Management Limited United Kingdom 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.

On 28 April 2014, the shareholders of the Fund approved the renewal of the mandate of the Fund Manager and Sole Director for two years beginning with 30 September 2014. The new mandate was registered with the Trade Register and endorsed by the FSA. The new Investment Management Agreement as amended by Addendum 1 entered into force beginning with 30 September 2014.

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 2014 Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch held no shares issued by the Fund.

At the date of this report, Grzegorz Maciej Konieczny, Adrian Cighi and Oana Valentina Truța 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. He has research and portfolio management responsibilities in Central and Eastern Europe. From September 2010 he has been the Portfolio Manager on Fondul Proprietatea, the largest closed-end investment fund in Romania. 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. Mr. Konieczny speaks Polish, English, and Russian. As at 31 December 2014, 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 from the 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 at BT Asset Management (Cluj) and management

counsellor at Rematinvest (Cluj). He joined the Bucharest office of Franklin Templeton in 2010. As at 31 December 2014, Mr Cighi held no shares issued by the Fund.

Oana Truța has experience in investment management and portfolio analysis. Ms Truța has earned a bachelor's degree in Finance and Insurance from the Babes Bolyai University in Cluj-Napoca and a master's degree in Quantitative Economics and Finance from the same university. Prior to joining Franklin Templeton Ms Truța has acted as an investment analyst at Interdealer Capital Invest. She joined the Bucharest office of Franklin Templeton in 2010. As at 31 December 2014, Ms Truța held no shares issued by the Fund.

The Remuneration of the Sole Administrator and Fund Manager

A. for period 1 January 2014 – 29 September 2014 the fee due to the Fund Manager in accordance with the Investment Management Agreement was calculated and paid in RON by the Fund in compliance with the following provisions:

1. The fee was calculated based on a fixed fee, mentioned below, and applied to the notional amount according to the following formula:

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

Where:

- the fixed fee = the number of basis points per year;
- 1 basis point = 0.0001;
- 1 year = 365 days

The fixed fee per year is composed of:

- Fixed management fee of 37.9 (thirty seven point nine) basis points per year
 - Additional administration fee of 10 (ten) basis points per year.
2. In the period 1 January – 29 September 2014, the notional amount is the market value of the Fund which is defined as the market capitalisation of the Fund (the number of issued shares multiplied by the average market price of the Fund shares calculated for the respective quarter).
 3. The fees were paid quarterly, based on the invoices to be issued by the Fund Manager within 20 business days following the end of the quarter for which payment is made.

The invoices were submitted to the Depositary Bank of the Fund that certifies the correctness of the calculation of the fees.

The Fund Manager provided to the Board of Nominees monthly, quarterly and annually reports.

4. The payment was done by the Fund Manager only after the verification and certification by the Depositary of the correctness of the notional amount, as well as the procedures for computing the fee.

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

B. The fees due to the Fund Manager in accordance with the new Investment Management Agreement that entered into force on 30 September 2014 shall be calculated and paid in RON by the Fund in compliance with the following provisions.

The remuneration of the Fund Manager shall be calculated based on a Base fee.

1. The Base Fee is applied to the notional amount according to the following formula:

The Base Fee Rate multiplied by the notional amount, multiplied by the number of calendar days of payment, divided by 365, where the Base Fee Rate = 60 basis points per year;

1 basis point = 0.0001; and

the notional amount is the market capitalization of the Fund which is defined as the number of the Fund's paid-up shares, minus the weighted average number of the Fund's settled own shares held in treasury over the calculation period, then multiplied by the weighted average market price of the Fund's shares calculated for the corresponding quarter. The weighted average market price is computed based on the daily average market prices of the Fund's shares and corresponding daily volumes, as published by Bucharest Stock Exchange REGS section. If the number of shares relevant for the computation of the Base Fee (described above) changes over the calculation period, the Base Fee will be an aggregation of the computation for each sub-period.

2. The Base Fee shall be paid by the Fund 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.

The invoices for the Base Fee shall be submitted to the Depositary of the Fund's assets.

The Fund Manager shall provide to the BoN quarterly and on an annual basis and upon reasonable request of the BoN a detailed report regarding the fees collected under this Investment Management Agreement, in the form reasonably required by the BoN.

3. The payment of fees (Base Fee) shall be arranged by the Fund Manager only after the verification and certification by the Depositary Bank of the correctness of the calculation: notional amount, all the other items used in calculation of the fees, as well as the modalities for determining the fees.

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

The Fund's Shareholders Rights

The rights of the Fund's minority shareholders are adequately protected according to the relevant domestic legislation.

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 in force (Annex 8 of this report), 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) to elect and revoke the members of the Board of Nominees as well as to elect and revoke the Sole Administrator and (iii) right to participate in the distribution of profits.

At present, the Constitutive Act does not specify any further special conditions on such rights than those specified by the law.

The Romanian legislation imposes another restriction regarding unpaid shares and as a result, as long as the Romanian state has unpaid shares, it has no voting rights for those unpaid shares and has no right to receive dividends in relation to them.

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 being entitled to receive dividends proportionally to the number of paid-up shares held 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 operations 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 and to raise questions concerning items to be debated during such meetings. General Shareholders Meetings 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 sending the votes to the headquarter of the Fund, using the voting bulletin for the votes by correspondence made available by the Fund at the headquarters and/or on the Fund's website.

Furthermore, the Fund ensures 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) 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 and draft of shareholders resolutions.

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.

In conclusion, in present the Fund observes the one paid share, one vote, and one dividend principle. There are no shares conferring the right to more than one vote or preference shares.

Shareholders holding at least 5% of the paid-up share capital may ask for calling of a General Shareholders Meeting. Such shareholders have also the right to add new items on the agenda of a General Shareholders

Meeting, provided such proposals are accompanied by a justification or a draft resolution proposed for approval and copies of the identification documents of the shareholders who make the proposals.

Proposals with respect to adding new items on the agenda of such General Shareholders Meeting can be submitted at the headquarters of the Fund, or by e-mail having attached an extended electronic signature, in compliance with the Law no. 455/2001 on digital signature.

Likewise, the shareholders holding at least 5% of the paid-up share capital are entitled to propose revised versions of resolutions for the items listed on the agenda or proposed by other shareholders to be added on the agenda of such General Shareholders Meeting.

The shareholders may attend in person or may be represented in the General Shareholders Meetings either by their legal representatives or by representatives having a special proxy, based on the special proxy template made available by the Fund. Such proxy template may be obtained from the Fund's headquarters and/or can be found on the Fund's website, under the respective General Shareholders Meeting section item.

The shareholders of the Fund, regardless of the stake of the share capital held, may submit written questions with respect to the items on the agenda of the General Shareholders Meetings. The shareholders may also send such questions by e-mail. The answers will be provided during the General Shareholders Meeting based on public information or non-public and non-material information.

Should the questions require elaborate answers, a Q&A (questions and answers) form will be made available on the Fund's website. The disclosure of commercially sensitive information that could result in a loss or competitive disadvantage for the Fund will be avoided when providing the answers, in order to protect the interest of our shareholders.

The Foreign Account Tax Compliance Act ("FATCA")

FATCA is a United States federal law that requires United States persons, including individuals who live outside the United States, to report their financial accounts held outside of the U.S., and requires foreign financial institutions to report to the Internal Revenue Service ("IRS") about their U.S. clients.

Romania, like most of the European countries, decided to conclude an intergovernmental agreement ("IGA") to facilitate the implementation of FATCA requirements. IGA negotiations with U.S. are in progress. For further details, please visit the following link: <http://www.mfinante.ro/acordfatca.html?pagina=domenii>.

Women's Advancement

The Fund and the Sole Administrator supports gender diversity and promotion of women in management positions.

While there are currently no female members of the Board of Nominees, the Sole Administrator has women in its management.

More than 50% of the members with key positions of the Sole Administrator are women and the overall proportion of women in the structure of the Sole Administrator is approximately 60%.

Bucharest Stock Exchange Code of Corporate Governance

The Fund has adhered to the Bucharest Stock Exchange Code of Corporate Governance. Details on compliance with the principles and recommendations stipulated under the Bucharest Stock Exchange Code of Corporate Governance are presented in the "Comply or Explain" Statement, which is the Annex 11 to the 2014 Annual Report.

Internal Control and Risk Management

The Sole Administrator has implemented internal policy and procedures to ensure that timely and accurate disclosure is made on all material matters regarding the Fund, including the financial position, performance, ownership and governance of the Fund. 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.

Pursuant to article 62 of the Law 297/2004 regarding capital market, with subsequent amendments, the Sole Administrator has established a compliance department responsible for managing the compliance risk of the company with the applicable legislation as well as with internal policies and procedures. The registered Compliance Officer is part of 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.

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 of Franklin Templeton 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 Board of Directors of Franklin Templeton Investment Management Limited United Kingdom 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 Franklin Templeton Investment Management Limited United Kingdom has assigned this responsibility to the Audit Committee of Franklin Templeton Investment Management Limited United Kingdom.

In addition, the Sole Administrator oversees the risk based on its 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 of the portfolio monitoring activity, the Franklin Templeton Investment Management Limited United Kingdom has implemented procedures and controls which are designed to ensure that all assets are managed prudently and in accordance with client mandates. In addition Franklin Templeton has a dedicated team Global Investment Adviser Compliance ("GIAC") of specialists who are responsible for the rigorous day-to-day monitoring of all client accounts, including Fondul Proprietatea, 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.

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 Franklin Templeton GIAC team. 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 of Franklin Templeton.

The Global Compliance department of Franklin Templeton 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

FTIML adopted operating solutions suitable to facilitate the identification and adequate handling of any situations in which a member of the Board of Nominees or an employee of 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 audited financial statements for the year ended 31 December 2014 prepared in compliance with Romanian Accounting Regulations are included in full in Annex 1 to this Report.

This section provides a commentary on the principal elements of the Fund's financial position and results for the year ended 31 December 2014 and the two prior years.

Balance Sheet

RON million	31 December 2012	31 December 2013	31 December 2014
	Audited	Audited	Audited
Intangible assets	0.3	0.8	0.8
Financial assets	11,097.8	10,490.6	9,075.2
Non-current assets - total	11,098.1	10,491.4	9,076.0
Current assets - total	776.5	454.1	319.5
Prepaid expenses	0.1	-	-
Payables within one year	21.1	31.2	41.4
Total assets less current liabilities	11,853.6	10,914.3	9,354.1
Provisions	16.8	29.3	15.1
Shareholders' equity	11,836.8	10,885.0	9,339.0

As at 31 December 2014 and in previous years, **intangible assets** included the value of the licenses and the implementation costs of the Fund's accounting and reporting software, net of accumulated amortisation.

Financial assets include the Fund's listed and unlisted equity investments. According to Romanian Accounting Regulations, both listed and unlisted equity investments are valued at cost (or their initial value) less adjustments for impairment.

For listed investments, the impairment adjustment records any adverse difference between cost and closing price (an impairment adjustment is booked if closing price is lower than cost). For unlisted or illiquid listed equity investments, the impairment test compares the cost to the Fund's share of shareholders' equity as per the portfolio companies' latest available financial statements or using values assessed by independent valuers, and any adverse result is booked as impairment. In performing the impairment test, the financial information from the most recent financial statements of the companies is corroborated with the most recent publicly available qualitative and quantitative information regarding the assets.

During 2014, the value of financial assets decreased by RON 1,415.4 million mainly due to the disposals of the entire holdings in Transelectrica SA (total impact RON 156.2 million), Raiffeisen Bank International AG (total impact RON 77.8 million), and Erste Group Bank (total impact RON 45.1 million), and also part of the holding in Romgaz SA (total impact RON 138.8 million), combined with the increase of the impairment adjustments for the holdings in OMV Petrom SA (RON 664.9 million), Nuclearelectrica SA (RON 94.6 million) and CE Oltenia SA (RON 213.2 million).

During 2013, the value of financial assets decreased by RON 607.2 million, mainly due to the disposals of equity investments in this period: the entire holding in Transgaz SA (impact of RON 177.4 million) and part of the holdings in OMV Petrom SA (impact of RON 270.8 million) and Raiffeisen Bank International AG (impact of RON 24.6 million). The increase of the impairment adjustments for Nuclearelectrica SA (net: RON 320.4 million) and CE Oltenia SA (RON 348.4 million), were partially offset by the reversal of the impairment adjustments for Hidroelectrica SA (RON 104.2 million) and OMV Petrom SA (RON 448.6 million).

The decrease in **current assets**, in 2014, of RON 134.6 million was mainly due to the funding of the third and fourth buy-back programme (RON 1,188.7 million) and by the payment of the return of capital to shareholders started in 25 July 2014 (RON 589.9 million), net of the proceeds from the disposals of portfolio holdings, mainly Romgaz SA, Transelectrica SA, Conpet SA, Raiffeisen Bank International AG and Erste Group Bank (RON 1,080.2 million) and dividends collected from portfolio companies during the year (RON 682.1 million).

The fall in the current assets in 2013, of RON 322.4 million was principally due to the funding of the second buy-back programme (RON 974.8 million) and payment of 2012 dividends and related taxes (RON 530.7 million), net of the proceeds from the disposal of portfolio holdings (RON 570.8 million) and dividends collected from portfolio companies during the year (RON 696.3 million).

The provisions decreased by RON 14.2 million, due to the reversal of the provisions for taxes (related to the reserves for bonus shares received from portfolio companies that increased their share capital through incorporation of reserves in previous years), as a result of a change to the Romanian Fiscal Code. With effect from 1 January 2014, no income tax was applied to the sale of equity instruments held in Romanian entities or entities resident in a country with which Romania has a tax treaty, where the holding represent at least 10% of the share capital of the issuer and has been held for an uninterrupted period of at least 1 year.

During 2013, the increase in provisions of RON 12.5 million mainly related to the legal case started by World Trade Center Bucuresti against the Fund in August 2013, requesting the Fund to pay back the amounts recovered from the enforcement procedure against this company during 2010 and 2011 and to pay the related legal interest. The amounts recovered from the enforcement procedure (approximately RON 9.5 million equivalent) were originally accounted for by the Fund as contributions of Ministry of Public Finance to the share capital of the Fund, decreasing the receivable from the state related to the subscribed unpaid share capital. Consequently, these amounts are to be recovered by the Fund from the Ministry of Public Finance (being accounted for as a receivable over this shareholder of the Fund, for which an impairment adjustment was recorded), while the legal interest was recorded as an expense with provisions for litigations.

Income Statement

RON million

	2012	2013	2014
	Audited	Audited	Audited
Revenues from current activity, out of which:	871.8	1,311.2	1,822.7
Revenues from financial assets	619.0	649.7	682.1
Interest income	34.9	36.2	20.9
Reversal of impairment adjustments & provisions	5.7	48.3	37.0
Revenues from disposal of financial assets	208.1	573.1	1,079.0
Revenues from foreign exchange differences	0.1	0.3	1.5
Other income from current activity	4.0	3.6	2.2
Expenses from current activity, out of which:	304.8	629.0	793.2
Expenses from disposal of financial assets	195.1	528.7	661.7
Expenses from foreign exchange differences	0.3	0.2	2.3
Depreciation, provisions, losses from receivables and sundry debtors	49.7	13.0	8.2
Commissions and fees	16.2	26.3	30.9
Other expenses from current activity *	43.5	60.8	90.1
Gross profit	567.0	682.2	1,029.5
Income tax expense	-	-	16.6
Net profit	567.0	682.2	1,012.9

* Other expenses from current activity include third party expenses, bank charges, utilities expenses, remuneration expenses, as well as duties and other taxes

Revenues from financial assets represent dividend income earned from the Fund's portfolio companies. In 2014, most of the dividend income derived from OMV Petrom SA (RON 331.4 million), Romgaz SA (RON 148.5 million) and GDF Suez Energy Romania SA (RON 33.6 million).

Interest income arose from deposits held with banks and from short-term government securities. The lower level of interest income during 2014 compared to 2013 is a reflection of both, lower level of interest rates and a lower average level of interest bearing assets during 2014.

Revenues from disposal of financial assets represent the proceeds from the sales of portfolio holdings (mainly Traselectrica SA, Romgaz SA, Conpet SA, Raiffeisen Bank International AG, Erste Group Bank in 2014), while the **expenses from disposal of financial assets** represent the cost of the investments disposed of.

Commissions and fees mainly include the FSA's 0.1% per annum fee, calculated on the basis of the Fund's NAV, amounting to RON 14.6 million in 2014 (2013: RON 15.1 million, 2012: RON 14.1 million), and the depositary bank's fees of RON 1.8 million (2013: RON 1.8 million, 2012: RON 1.7 million). During 2014 commissions and fees included also the intermediaries fees related to the disposals of equity investments, in the amount of RON 11.8 million (2013: RON 7.7 million, 2012: RON 0.4 million) and FSA and BVB fees related to the disposals, in amount of RON 2.0 million (2013: RON 1.3 million, 2012: nil).

The **income tax expense** arising in 2014 is tax due, among others, from the cancellation of treasury shares bought back by the Fund in the first buy-back programme and the second buy-back programme, and from the decrease in the nominal value of the treasury shares held by the Fund on the date the return of capital was recorded, which were treated for tax purposes as taxable revenues. In 2014 the main non-taxable revenues constituted of dividends received from portfolio companies and proceeds from the sale of securities of portfolio companies subject to the above mentioned holding exemption. On the other hand, the main non-tax-deductible expenses constituted of expenses related to the disposal of portfolio securities covered with the holding exemption.

Other expenses from current activity can be analysed as follows:

RON million	2012 Audited	2013 Audited	2014 Audited
FTIML investment management and administration fees	34.3	45.3	56.4
Remunerations and similar expenses	0.7	0.9	1.2
Stamp duties for litigations	0.1	0.1	0.1
Other expenses	8.4	14.5	32.4
Other expenses from current activity	43.5	60.8	90.1

During 2014, **other expenses from current activity** increased by RON 29.3 million, mainly due to the rise in the FTIML investment management and administration fees (due to the increase of the Fund's share price upon which the fees are based and due to the change in the base fee rate effective from September 2014, when the new IMA entered into force).

In 2014, other expenses included mainly litigation assistance and legal advisory expenses (including expenses related to portfolio transactions), other expenses related to transactions (including withholding tax expenses, where applicable), investor relations expenses, expenses related to the valuation of the unlisted holdings, other advisory fees (for the Fund or Board of Nominees members), expenses related to secondary listing and sponsorship expenses (the full amount of sponsorship expenses was deducted, according to the provisions of Romanian Fiscal Code, from the corporate tax expense for 2014). The increase of this category of expenses was mainly due to the higher value of capital market transactions and advisory related costs.

During 2013, other expenses from current activity increased by RON 17.3 million compared to 2012. This was mainly due to the increase of the FTIML's investment management and administration fees, in line with the increase of the Fund's share price upon which they were based. In 2013, other expenses included mainly litigation assistance and legal advisory expenses and investor relations expenses.

Analysis of 2014 Income Statement by Quarters

Although this report covers the year ended 31 December 2014, given that the Fund reports on a quarterly basis, the following split has been prepared to show the actual results per quarter in 2014.

RON million

	Quarters				Year ended 31 December 2014 Audited
	Q1 2014 Unaudited	Q2 2014 Unaudited	Q3 2014 Unaudited	Q4 2014 Unaudited	
Revenues from current activity, out of which:	135.2	1,317.4	246.8	123.3	1,822.7
Revenues from financial assets	-	649.8	20.0	12.3	682.1
Interest income	3.7	4.7	8.4	4.1	20.9
Reversal of impairment adjustments & provisions	16.2	13.8	0.2	6.8	37.0
Revenues from disposal of financial assets	114.9	647.5	216.7	99.9	1,079.0
Revenues from foreign exchange differences	0.3	1.0	0.1	0.1	1.5
Other income from current activity	0.1	0.6	1.4	0.1	2.2
Expenses from current activity, out of which:	209.8	173.4	307.7	102.3	793.2
Expenses from disposal of financial assets	186.9	141.3	277.4	56.1	661.7
Expenses from foreign exchange differences	0.6	1.5	0.1	0.1	2.3
Depreciation, provisions, losses from receivables and sundry debtors	0.2	1.8	0.1	6.1	8.2
Commissions and fees	4.6	9.5	9.0	7.8	30.9
Other expenses from current activity *	17.5	19.3	21.1	32.2	90.1
Gross Profit/ (Loss)	(74.6)	1,144.0	(60.9)	21.0	1,029.5
Income tax expense	4.4	10.5	9.1	(7.4)	16.6
Net Profit/ (Loss)	(79.0)	1,133.5	(70.0)	28.4	1,012.9

* Other expenses from current activity include third party expenses, bank charges, utilities expenses, remuneration expenses, as well as duties and other taxes

Statement of Cash Flows

RON million

	31 December 2012 Audited	31 December 2013 Audited	31 December 2014 Audited
Cash flows from operating activities			
Payments to suppliers and similar payments	(61.5)	(62.5)	(92.8)
Payments to employees and similar payments, including related taxes and contributions	(0.7)	(1.0)	(1.1)
Payments of other taxes and commissions	(14.3)	(15.7)	(16.5)
Other payments, net of other receipts	-	-	(2.5)
Income tax paid	(0.1)	-	(23.5)
Net cash used in operating activities	(76.6)	(79.2)	(136.4)
Cash flow from investments			
Dividends received	625.4	696.3	682.1
Interests received	30.3	33.2	20.1
Payments for the acquisition of intangible assets	(0.3)	(0.5)	(0.3)
Payments for acquisitions of financial assets	(0.1)	-	-
Subscriptions to share capital increases of portfolio companies	(2.6)	(42.7)	-
Proceeds from the sales of financial assets	207.9	570.8	1,080.2
Other receipts related to financial assets	1.8	1.4	3.8
Net proceeds from / (payments for) treasury bills and bonds	(254.6)	245.9	14.7
Net creation of deposits with maturity of more than 3 months	-	-	(25.0)
Net cash from investment activities	607.8	1,504.4	1,775.6
Cash flow from financing activities			
Dividends paid, including related withholding tax	(510.5)	(530.7)	(6.0)
Payments to shareholders related to the return of capital	-	-	(589.9)
Payments for buy-backs	-	(974.8)	(1,188.7)
Net cash flow used in financing activities	(510.5)	(1,505.5)	(1,784.6)
Net increase/ (decrease) in cash and cash equivalents	20.7	(80.3)	(145.4)
Cash and cash equivalents at the beginning of the year	297.4	317.9	237.6
Foreign exchange differences related to transactions in foreign currency	(0.2)	-	(1.0)
Cash and cash equivalents at the end of the year	317.9	237.6	91.2

	31 December 2012	31 December 2013	31 December 2014
Current accounts and cash	1.9	5.6	6.9
Deposits with banks with original maturity less than 3 months	316.0	232.0	84.3
Total cash and cash equivalents	317.9	237.6	91.2

Payments of other taxes and commissions mainly comprise fees paid to the FSA (RON 14.6 million in 2014, RON 15.1 million in 2013 and RON 14.1 million in 2012).

Income tax paid in 2014 is tax due on the cancellation of treasury shares bought back by the Fund in the 2011 buy-back (the first buy-back programme) as well as in the 2013 buy-back (the second buy-back programme) and on the decrease in the nominal value of the treasury shares held by the Fund on the date the return of capital was recorded.

In 2014, **proceeds from the sales of financial assets** related mainly to the disposals in Traselectrica SA, Romgaz SA, Conpet SA, Raiffeisen Bank International AG and Erste Group Bank, and in 2013 was mainly related to the disposal of Fund's entire holding in Transgaz SA and to the partial disposal of its holdings in OMV Petrom SA and Raiffeisen Bank International AG.

Dividends paid in 2013 principally included the payments of distributable profits for 2012 (RON 0.04089 per share gross), while dividends paid in 2012 related to 2011 profits (RON 0.03854 per share gross).

Payments to shareholders related to the return of capital in 2014 include the return of the RON 0.05 per share to the shareholders following the reduction of the Fund's share capital by reducing the nominal value of the shares from RON 1 to RON 0.95.

Payments for buy-backs represent the acquisition cost (including brokerage fees and other costs directly related to the acquisition) of the own shares bought back by the Fund in the buy-back programmes carried out during the period. In 2014, the Fund carried out the third and part of the fourth buy-back programmes, buying back a total number of shares of 1.2 billion shares. In 2013, the Fund carried out the second buy-back programme, buying back 1.1 billion shares.

Related Party Transactions

The Romanian State represented by the Ministry of Public Finance controlled the Fund in previous years, but during 2011 its holding fell below the control threshold (as at 31 December 2014: 2.96% of issued share capital, respectively 0.04% of paid-up share capital).

(a) Subsidiaries

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

Ownership interest	2013	2014
Alcom SA	72%	72%
Comsig SA	70%	70%
Primcom SA	75%	69%
Zirom SA	100%	100%

During 2014, the Fund carried out the following transactions with its subsidiaries: (1) in January 2014, Primcom SA performed a capital return to its shareholders following the decrease of its share capital by reducing the nominal value of the shares from RON 2.5 to RON 0.1 and (2) in June 2014, the Fund sold part of its holding in Primcom SA in a buy-back programme carried out by this company.

During 2013, the Fund recorded and received a dividend of RON 24,4 thousand from Alcom SA.

(b) Associates

Ownership interest	2013	2014
OMV Petrom SA	19%	19%
Societatea Nationala a Sarii SA	<i>Not an associate</i>	49%
Plafar SA	<i>Not an associate</i>	49%

In 2014 the Fund recorded and received from OMV Petrom SA a dividend of RON 331.4 million (2013: RON 319.0 million).

The transactions with the related parties were performed in the normal course of business of the Fund.

(c) Fund Manager

During 2014, the Fund recorded the following expenses payable to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, the Fund Manager of the Fund: investment management and administration fees RON 56.5 million (2013: RON 45.3 million), rent expense RON 86.3 thousand (2013: RON 104.2 thousand) and related operating costs RON 23.0 thousand (2013: RON 28.9 thousand).

During 2014 the Fund also recorded an amount of RON 3.0 million (2013: RON 1.8 million), representing expenses incurred by the Fund Manager on Fund's behalf. These expenses were primarily related to promotional activities for the Fund (investor relations) and valuation services. The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominees approval.

As at 31 December 2014 the liability to the Fund Manager related to the above mentioned transactions amounted to RON 17.2 million (31 December 2013: 14.0 million).

Significant Post Balance Sheet Events

21 January 2015 GSM Decision

The main decisions of the shareholders at the 21 January 2015 GSM were the following:

- The approval of the decrease of the subscribed share capital of Fondul Proprietatea from RON 11,575,064,733.65 to RON 10,965,850,800.30 through the reduction of the nominal value of the shares of the Fund from RON 0.95 to RON 0.90 and the approval of the payment to the shareholders registered with the Central Depositary on 24 June 2015 of RON 0.05 per share, proportionally with their participation to the paid-up share capital of the Fund. The payment will start on 29 June 2015, provided that the decrease of the share capital mentioned above is effective by that time;
- The approval of the secondary listing of the Fund on the London Stock Exchange, via GDRs or DIs, by 10 July 2015.
- The ratification and the approval of all EGM resolutions and of all legal acts concluded, adopted and issued in the name of Fondul Proprietatea SA through Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, between 6 September 2010 and 20 January 2015.

Updates on the Fourth and Fifth Buy-Back Programme

On 4 February 2015, the Fund announced the completion of the 4th buy-back programme, through which the Fund acquired 990,855,616 shares of the Fund (equivalent to 8.13% of the Fund's subscribed share capital) through a tender offer for 750,000,000 shares (shares actually purchased: 749,998,142) and daily acquisitions on the Bucharest Stock Exchange. The total value of the buy-back programme was RON 1,046,128,420.15 (excluding brokerage fees and other acquisition related costs), and the weighted average price was approximately RON 1.0557 per share. The Fund Manager will request shareholders' approval for the cancellation of the shares repurchased during this buy-back programme at the next general shareholders' meeting.

The Fund Manager intends to continue with share buy-backs in accordance with the Fund's Investment Policy Statement, and started the fifth buy-back programme, approved by shareholders on 19 November 2014, on 10 February 2015.

Updates on the Shares Cancellation

The FSA, through Notice no. 25/27 January 2015, endorsed the decrease of the subscribed share capital from RON 11,815,279,886.85 to RON 11,575,064,733.65, following the cancellation of 252,858,056 treasury shares acquired by the Fund in the third buy-back programme in 2014. The share capital decrease is effective beginning with 27 January 2015. Therefore, starting with 27 January 2015, the new value of the Fund's subscribed share capital is RON 11,575,064,733.65, divided into 12,184,278,667 shares with a nominal value of RON 0.95 per share. The value of the paid-up share capital is RON 11,229,443,001.15, divided into 11,820,466,317 shares with a nominal value of RON 0.95 per share.

Updates on the change of legislation regarding the Fund's activity

On 12 January 2015, Law no. 10/2015 was published in the Part I of the Official Gazette no. 22 ("**Law 10**"). Law 10 amends, among others, Title VII of Law no. 247/2005 governing mainly the organization and functioning of the Fund ("**Fund Law**"). Law 10 will enter into force on 15 January 2015, according to Article 78 of the Constitution, and from this moment onwards the following main amendments related to the Fund are applicable, namely:

- Any inconsistencies there might have been in the past legislation regarding the right of the Fund's shareholders to freely appoint the fund manager are now clarified; the provisions of Article 12 (2) of the Fund Law, stating that the fund manager is appointed through an international tender organised by the State are repealed.
- The provisions related to the State's special treatment for its contributions to the increase of the Fund's share capital are repealed.
- The Fund's receivable against World Trade Center București S.A. is transferred back to the Ministry of Public Finance.

- A consolidated version of the Fund Law containing the amendments brought by Law 10 can be found on the Fund's website.

Litigation regarding the shares in Conpet SA

On 19 April 2007, the Authority for State Assets Recovery (AVAS) filed an ownership claim with the 5th District First Instance Court against the Fund, the Central Depository, the FSA and Conpet SA, requesting the Court to rule upon the ownership rights of the claimant over a number of 524,366 shares in Conpet SA's share capital and to impose on the other defendants the obligation to register accordingly the shares in the shareholders' registry. Beginning with 2007 there were several rounds of hearings and court decisions and several reorganisations, as the plaintiff in this case is in present the Department of Energy as a successor of AVAS.

On 19 March 2014 Bucharest Court ruled in favour of the Fund and rejected the request of Department of Energy. Against this decision of the Bucharest Tribunal, the Department of Energy file an appeal and on 30 January 2015 the Bucharest Court of Appeal ruled in favour of the Department of Energy obliging the Fund to transfer a number of 524,366 shares in Conpet SA's share capital to Department of Energy. The Fund can file the final appeal against the decision of Bucharest Court of Appeal within 15 days after the full decision is received from the Court.

This litigation was in progress as at 31 December 2014. This indicates that these conditions existed before the end of Fund's reporting period and meet the requirements of an adjusting event after the end of the reporting period. As a result, at 31 December 2014, the Fund recorded impairment adjustment for the holding in Conpet (RON 14.1 million).

Applying IFRS as basis of accounting starting 1 January 2015

In August 2014 the FSA issued Instruction no 2/ 06.08.2014, according to which, starting 1 January 2015 the entities authorised, regulated and monitored by the FSA – Financial Investments and Instruments Sector, including Fondul Proprietatea, will apply IFRS, as endorsed by European Union as basis of accounting. As a result, starting the financial year 2015, the Fund will adopt IFRS as endorsed by European Union as the statutory accounting framework.

Signatures:

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

Grzegorz Maciej Konieczny

Legal Representative

18 February 2015

Prepared by

Mihaela Moleavin

Financial Reporting Manager

Annex 1

FONDUL PROPRIETATEA S.A.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

prepared in Accordance with the National Securities Commission ("CNVM") Regulation no. 4/2011 regarding accounting regulations compliant with EEC Directive IV applicable to the entities authorised, regulated and monitored by the Financial Supervisory Authority ("FSA"), approved by CNVM Order no. 13/2011 and with CNVM Instructions no. 2/2007 regarding the preparation and submission of annual financial statements, applicable to the entities authorised, regulated and monitored by the FSA, as subsequently amended ("Romanian Accounting Regulations")

(This is a translation from the official Romanian version)

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To the Shareholders and Sole Director of
Fondul Proprietatea S.A.
Bucharest, Romania

INDEPENDENT AUDITOR'S REPORT

Report on the financial statements

1 We have audited the accompanying financial statements of Fondul Proprietatea S.A. ("the Fund"), which comprise the balance sheet as at 31 December 2014, 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:

- Total shareholder's equity : RON 9,339,031 thousand
- Profit/loss for the year: RON 1,012,898 thousand, profit

Management's Responsibility for the Financial Statements

2 Management of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the Order of the President of the National Securities Commission ("CNVM") no.13/2011 for the approval of Regulation no. 4/2011 regarding accounting regulations compliant with Economic European Commission Directive IV ("EEC Directive IV"), applicable to the entities authorized, regulated and supervised by the Financial Supervisory Authority ("FSA"), former CNVM, 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.

Auditor's 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 adopted by the Romanian Chamber of Financial Auditors. 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 Fund'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 Fund'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 financial statements present fairly, in all material respects, the financial position of Fondul Proprietatea S.A. as of December 31, 2014, and its financial performance and its cash flows for the year then ended, in accordance with the Order of CNVM President no. 13/2011, for the approval of the Regulation no. 4/2011 regarding accounting regulations compliant with EEC Directive IV, with the subsequent amendments and as described in the accounting policies presented in the notes to the financial statements.

Emphasis of Matter

- 7 We draw attention to Notes 3 and 17 to the financial statements which disclose that as at December 31, 2014 the Fund has several unsettled litigations which are at different stages with the Romanian courts. Some of the legal requirements relevant to the Fund and their implementation into practice may contradict and are subject to different legal interpretations by various regulatory authorities in Romania. Therefore, any change in interpretation increases legal risks for the Fund. The ultimate outcome and related impact of these legal and regulatory risks on the financial statements is uncertain. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified in respect of these matters.

Other Matters

- 8 This report is made solely to the Fund's Sole Director and shareholders, as a body. Our audit work has been undertaken so that we might state to the Fund's Sole Director and 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 Fund and the Fund's Sole Director and shareholders as a body, for our audit work, for this report, or for the opinion we have formed.
- 9 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 Fund 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 CNVM President no. 13/2011 for the approval of the Regulation no. 4/2011, with the subsequent amendments, Section 7, article 278, point 4, 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 historic 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 no. 1529/25.11.2003*

On behalf of:

DELOITTE AUDIT S.R.L.

*Registered with the Chamber of Financial Auditors in Romania
under the certificate no. 25/25.06.2001*

Bucharest, Romania
February 18, 2015

FONDUL PROPRIETATEA S.A.

BALANCE SHEET
AS OF 31 DECEMBER 2014
FORM CODE 10

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

The format of the Financial Statements as at 31 December 2014 for the entities authorised, regulated and monitored by the Financial Supervisory Authority ("FSA"), for the closed-end funds (AOPC) set up under articles of association

Type of financial statement: SI

County: Bucharest

Legal entity: Fondul Proprietatea S.A.

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

Telephone: 021/200 96 00, **Fax:** 021/200 96 31

Trade Register no.: J40/21901/2005

Ownership type: 22

Main activity:

(CAEN group): 643

CAEN class: 6430

Sole Registration Code: 18253260

A	Row	Note	Balance	
			1 January 2014	31 December 2014
	B		1	2
A. NON-CURRENT ASSETS				
I. INTANGIBLE ASSETS				
3. Concessions, patents, licences, trademarks and similar rights and other intangible assets (acc. 205 + 208 - 2805 - 2808 - 2905 - 2908)	03		760,113	474,262
5. Advances and intangible assets in progress (acc. 233+234-2933)	05		-	363,126
TOTAL: (rows 01 to 05)	06	1 a)	760,113	837,388
III. FINANCIAL ASSETS				
1. Shares held in subsidiaries (acc. 261 - 2961)	12		67,481,778	52,286,860
3. Investments in associates (acc. 263 - 2963)	14		5,054,412,918	4,467,710,174
5. Other investments held as financial assets (acc. 262 + 264 + 265 + 266 - 2696 - 2962 - 2964)	16		5,368,734,780	4,555,184,931
TOTAL: (rows 12 to 17)	18	1 b)	10,490,629,476	9,075,181,965
NON-CURRENT ASSETS - TOTAL (rows 06 + 11 + 18)	19		10,491,389,589	9,076,019,353
B. CURRENT ASSETS				
II. RECEIVABLES				
1. Trade receivables (acc. 2675 + 2676 + 2678 + 2679 - 2966 - 2969 + 4092 + 411 + 413 + 418 - 491)	24		1,712	227
4. Other receivables (acc. 425 + 4282 + 431 + 437 + 4382 + 441 + 4424 + 4428 + 444 + 445 + 446 + 447 + 4482 + 4582 + 461 + 473 - 496 + 5187)	27		2,907,389	8,702,027
TOTAL: (rows 24 to 28)	29	5	2,909,101	8,702,254
III. SHORT TERM INVESTMENTS				
2. Other short term investments (acc. 5031 +5032 + 505 + 5061 + 5062 + 5071 + 5072 + 5081 + 5082 + 5088 + 5089 - 593 - 595 - 596 - 597 - 598 +5113 +5114)	31		213,635,521	194,588,981
TOTAL: (rows 30 to 31)	32	13	213,635,521	194,588,981
IV. CASH AND BANK ACCOUNTS (acc. 5112 + 5121 + 5122 + 5123 + 5124 + 5125 + 5311 + 5314 + 5321 + 5322 + 5323 + 5328 + 5411 + 5412 + 542)	33	12	237,573,615	116,158,127

	Row	Note	Balance	
			1 January 2014	31 December 2014
A	B		1	2
CURRENT ASSETS - TOTAL (rows 23 + 29 + 32 + 33)	34		454,118,237	319,449,362
C. PREPAID EXPENSES (acc. 471)	35		43,882	44,627
D. PAYABLES WITHIN ONE YEAR				
4. Trade payables (acc. 401 + 404 + 408)	39		17,189,337	19,348,098
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		13,974,834	22,048,305
TOTAL: (rows 36 to 43)	44	5	31,164,171	41,396,403
E. NET CURRENT ASSETS OR NET CURRENT LIABILITIES (rows 34 + 35 - 44 - 60.2)	45		422,997,948	278,097,586
F. TOTAL ASSETS LESS CURRENT LIABILITIES (rows 19 + 45)	46		10,914,387,537	9,354,116,939
H. PROVISIONS				
2. Provisions for taxes (acc. 1516)	57		18,222,179	3,688,260
3. Other provisions (acc. 1511+1512+1513+1514+1518)	58		11,104,066	11,397,683
TOTAL PROVISIONS (rows 56 +57 + 58)	59	2	29,326,245	15,085,943
J. SHARE CAPITAL AND RESERVES				
I. SHARE CAPITAL (rows 62 to 63) out of which:	61	7	13,778,392,208	11,815,279,887
- subscribed unpaid share capital (acc. 1011)	62		365,254,622	345,621,733
- subscribed paid in capital (acc. 1012)	63		13,413,137,586	11,469,658,154
IV. RESERVES (rows 68-69+70+71+72+73+74)	67		(2,531,739,371)	(2,981,254,084)
1. Legal reserves (acc. 1061)	68		192,259,194	243,735,507
2. Reserves related to impairment adjustments of financial assets (acc.1062 - <i>debit balance</i>)	69		2,869,929,030	3,627,783,973
4. Reserves for financial assets received free of charge (acc.1065)	71		25,630,909	36,332,591
7. Other reserves (acc.1068)	74		120,299,556	366,461,791
TREASURY SHARES (acc.109 – <i>debit balance</i>)	75		1,095,093,250	1,189,918,464
V. RETAINED EARNINGS (acc. 117)				
Credit balance	78		85,455,026	733,501,705
VI. RESULT FOR THE YEAR (acc. 121)				
Credit balance	80		682,154,399	1,012,898,265
Profit allocation (acc. 129 – <i>debit balance</i>)	82	3	34,107,720	51,476,313
TOTAL SHAREHOLDERS' EQUITY (rows 61 + 64 + 65 - 66 + 67 -75+76-77+78 -79+80-81-82)	83		10,885,061,292	9,339,030,996

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

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

FONDUL PROPRIETATEA S.A.

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014
FORM CODE 20

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

Element	Row	Note	Financial year ended	
			31 December 2013	31 December 2014
A	B		1	2
A. REVENUE FROM CURRENT ACTIVITY – TOTAL				
(rows 02 to 11)	01	4	1,311,202,217	1,822,717,746
1. Revenue from financial assets (acc. 761)	02	15	649,701,517	682,104,761
4. Revenue from disposal of financial assets (acc.758(part)+764)	05		573,117,053	1,079,000,354
6. Revenue from provisions, receivables previously written off and sundry debtors (acc.754+781+786)	07		48,323,844	36,985,540
7. Revenue from foreign exchange differences (acc.765)	08		275,376	1,484,534
8. Interest income (acc.766)	09		36,143,817	20,896,979
10. Other income from current activity (acc. 705+706+708+741+758(part)+767+768 +7815)	11		3,640,610	2,245,578
B. EXPENSES FROM CURRENT ACTIVITY – TOTAL				
(rows 13 to 20)	12	4	629,047,818	793,191,489
12. Expenses from disposal of financial assets (acc. 658(part) +664)	14		528,672,074	661,720,488
13. Expenses from foreign exchange differences (acc. 665)	15		241,275	2,308,361
15. Commissions and fees (acc.622)	17		26,318,786	30,933,812
16. Expenses for bank services and similar expenses (acc.627)	18		74,337	93,338
17. Depreciation and amortisation, provisions, losses from receivables and sundry debtors (acc.654+681+686)	19		13,045,331	8,134,255
18. Other expenses from current activity				
(rows 21+22+23+26+27)	20		60,696,015	90,001,235
c. Salary expenses (rows 24+25), of which:	23		947,635	1,120,313
c1. Salaries (acc.621+641+642 +644)	24	8	779,052	913,360
c2. Social security contributions (acc. 645)	25		168,583	206,953
d. Third party expenses (acc.611+612+613+614+623+624+625+626+628+ 658(part)+667 +668)	26		59,408,117	86,549,475
e. Other taxes, duties and similar expenses (acc. 635)	27		340,263	2,331,447
C. CURRENT RESULT				
- Profit (row 01 - 12)	28		682,154,399	1,029,526,257
19. TOTAL REVENUE (rows 01+30)	34		1,311,202,217	1,822,717,746
20. TOTAL EXPENSES (rows 12+31)	35		629,047,818	793,191,489
G. GROSS PROFIT:				
- Profit (row 34 - 35)	36		682,154,399	1,029,526,257
21. INCOME TAX EXPENSE				
- Income tax expense (acc.691)	38	10	-	16,627,992
H. RESULT FOR THE YEAR				
- Profit (row 36-38-39)	40		682,154,399	1,012,898,265

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

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

FONDUL PROPRIETATEA S.A.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

	For financial year ended	
	31 December 2013	31 December 2014
Cash flows from operating activities		
Payments to suppliers and similar payments	(62,510,251)	(92,762,094)
Payments to employees and similar payments, including related taxes and contributions	(968,578)	(1,130,718)
Payments related to other taxes and fees	(15,705,597)	(16,481,330)
Other payments, net of other receipts	-	(2,512,012)
Income tax paid	-	(23,521,512)
Net cash flows used in operating activities	(79,184,426)	(136,407,666)
Cash flows from investment activities		
Dividends received	696,286,935	682,066,477
Interest received	33,209,977	20,084,898
Payments for the acquisition of tangible and intangible assets	(576,672)	(390,417)
Subscriptions to share capital increases of portfolio companies	(42,713,841)	-
Proceeds from disposal of financial assets	570,774,068	1,080,212,251
Other receipts related to financial assets	1,439,583	3,813,259
Net proceeds from/(payments for) treasury bonds & bills	245,947,135	14,735,529
Net creation of deposits with original maturity greater than 3 months	-	(25,000,000)
Net cash flows generated from investment activities	1,504,367,185	1,775,521,997
Cash flows from financing activities		
Dividends paid, including related withholding tax	(530,673,777)	(5,975,898)
Payments to shareholders related to the return of capital	-	(589,890,948)
Payments for buybacks	(974,824,667)	(1,188,701,549)
Net cash flows used in financing activities	(1,505,498,444)	(1,784,568,395)
Net decrease in cash and cash equivalents	(80,315,685)	(145,454,064)
Cash and cash equivalents as at the beginning of the year	317,885,969	237,573,615
Foreign exchange differences related to transactions in foreign currency	3,331	(961,424)
Cash and cash equivalents as at the end of the year	237,573,615	91,158,127
	31 December 2013	31 December 2014
Current accounts and cash	5,552,477	6,879,129
Deposits with banks with original maturity less than 3 months	232,021,138	84,278,998
Total cash and cash equivalents	237,573,615	91,158,127

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

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

This is a translation from the official Romanian version.

FONDUL PROPRIETATEA S.A.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

Element of equity	Balance as at 1 January 2013	Increases		Decreases		Balance as at 31 December 2013
		Total	Of which, by transfer	Total	Of which, by transfer	
Subscribed paid in share capital	13,412,780,166	357,420	357,420	-	-	13,413,137,586
Subscribed unpaid share capital	365,612,042	-	-	357,420	357,420	365,254,622
Legal reserves – <i>Credit balance</i>	158,151,474	34,107,720	34,107,720	-	-	192,259,194
Reserves related to impairment adjustments of financial assets – <i>Debit Balance</i>	(2,738,430,054)	(2,318,097,048)	-	(2,186,598,072)	-	(2,869,929,030)
Other reserves – <i>Credit Balance</i>	120,299,556	-	-	-	-	120,299,556
Reserves from shares received free of charge – <i>Credit balance</i>	16,731,205	8,899,704	-	-	-	25,630,909
Treasury shares – <i>Debit Balance</i>	(120,268,583)	(974,824,667)	-	-	-	(1,095,093,250)
Result from the adjustment of accounting errors – <i>Credit Balance</i>	74,136,468	-	-	-	-	74,136,468
Retained earnings representing profit not allocated – <i>Credit Balance</i>	9,115,385	538,640,379	538,640,379	536,437,206	-	11,318,558
Result for the year (profit) – <i>Credit Balance</i>	566,988,651	682,154,399	-	566,988,651	566,988,651	682,154,399
Allocation of profit – <i>Debit Balance</i>	(28,348,272)	(34,107,720)	(34,107,720)	(28,348,272)	(28,348,272)	(34,107,720)
Total equity	11,836,768,038	(2,062,869,813)	538,997,799	(1,111,163,067)	538,997,799	10,885,061,292

This is a translation from the official Romanian version.

Element of equity	Balance as at 1 January 2014	Increases		Decreases		Balance as at 31 December 2014
		Total	Of which, by transfer	Total	Of which, by transfer	
Subscribed paid in share capital (see Note 7)	13,413,137,586	1,433,610	1,433,610	1,944,913,042	1,286,207,951	11,469,658,154
Subscribed unpaid share capital (see Note 7)	365,254,622	-	-	19,632,889	1,433,610	345,621,733
Legal reserves – <i>Credit Balance</i> (see Note 2)	192,259,194	51,476,313	51,476,313	-	-	243,735,507
Reserves related to impairment adjustments of financial assets – <i>Debit Balance</i> (see Note 1)	(2,869,929,030)	(1,677,115,177)	-	(919,260,234)	-	(3,627,783,973)
Other reserves – <i>Credit Balance</i>	120,299,556	246,162,235	246,162,235	-	-	366,461,791
Reserves from shares received free of charge – <i>Credit Balance</i>	25,630,909	10,701,682	-	-	-	36,332,591
Treasury shares – <i>Debit Balance</i>	(1,095,093,250)	(1,192,250,169)	-	(1,097,424,955)	(1,040,045,716)	(1,189,918,464)
Result from the adjustment of accounting errors – <i>Credit Balance</i>	74,136,468	-	-	-	-	74,136,468
Retained earnings representing profit not allocated – <i>Credit Balance</i> (see Note 2)	11,318,558	648,046,679	648,046,679	-	-	659,365,237
Result for the year (profit) – <i>Credit Balance</i>	682,154,399	1,012,898,265	-	682,154,399	682,154,399	1,012,898,265
Allocation of profit – <i>Debit Balance</i> (see Note 2)	(34,107,720)	(51,476,313)	(51,476,313)	(34,107,720)	(34,107,720)	(51,476,313)
Total equity	10,885,061,292	(950,122,875)	895,642,524	595,907,421	895,642,524	9,339,030,996

The decrease of the *Subscribed paid in share capital* includes the cancellation of the Treasury shares acquired by the Fund in 2011 and 2013 (RON 1,286,207,951) and the decrease of nominal value of the shares from RON 1 to RON 0.95 per share (total amount was RON 658,705,091, out of which the amount of RON 601,325,852 has been distributed to the shareholders of the Fund).

The increase in *Other reserves* represents the gain on the cancellation of treasury shares acquired at an acquisition cost lower than the nominal value, in amount of RON 246,162,235 (31 December 2013: nil).

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

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

FONDUL PROPRIETATEA S.A.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

1. NON-CURRENT ASSETS**a) Intangible assets**

	Intangible assets in progress	Intangible assets
Gross value (acquisition cost)		
Balance as at 1 January 2014	-	900,085
Acquisitions	363,126	27,291
Balance as at 31 December 2014	363,126	927,376
Accumulated amortisation		
Balance as at 1 January 2014	-	139,972
Amortisation in the year	-	313,142
Balance as at 31 December 2014	-	453,114
Net book value as at 1 January 2014	-	760,113
Net book value as at 31 December 2014	363,126	474,262

As at 31 December 2014, intangible assets included the value of licences and implementation costs of the Fund's specialised accounting and reporting software, net of accumulated amortisation.

b) Financial assets

The movements in the portfolio of investments held as financial assets are presented below:

	Financial Assets
Gross value (acquisition cost/initial value)	
Balance as at 1 January 2014	13,367,556,872
Shares received as contributions in kind to share capital	1,433,610
Bonus shares received from portfolio companies – incorporation of reserves	10,701,682
Disposals	(667,125,837)
Return of share capital from portfolio companies	(3,748,755)
Balance as at 31 December 2014	12,708,817,572
Adjustments for impairment of financial assets	
Balance as at 1 January 2014	(2,876,927,396)
Adjustments for impairment during the period through reserves (acc.1062)	(1,677,115,177)
Reversal of adjustments for impairment during the period through reserves (acc.1062)	919,260,235
Reversal of adjustments for impairment during the period through income statement (acc. 7863)	1,146,731
Balance as at 31 December 2014	(3,633,635,607)
Net book value as at 1 January 2014	10,490,629,476
Net book value as at 31 December 2014	9,075,181,965

The difference between the balance of Adjustments for impairment of financial assets and of the Reserves related to impairment adjustments of financial assets (acc.1062) represents the value of adjustments for impairment of financial assets recorded through profit or loss in 2007.

This is a translation from the official Romanian version.

1. NON-CURRENT ASSETS

Acquisitions and Disposals

In 2014, the Fund sold its entire holdings in Erste Group Bank, Raiffeisen Bank, Resib SA, Severnav, Transelectrica SA, Transilvania Com SA, Turdapan SA and part of its holding in Conpet SA, Oil Terminal SA, Primcom SA, Romgaz SA.

In January 2014, Primcom SA performed a capital return to its shareholders following the decrease of its share capital by reducing the nominal value of the shares from RON 2.5 to RON 0.1.

In October 2014 Carbid Fox SA was erased from Romanian Trade Register, at the end of bankruptcy procedure.

In 2014 the Fund received 116,457 shares in Hidroelectrica SA (having a total nominal value of RON 1,164,570) and 26,904 shares in Complexul Energetic Oltenia SA (having a total nominal value of RON 269,040), following the share capital increase of these company accounted for as contributions in kind by the Romanian state, represented by the Ministry of Public Finance, to the share capital of the Fund.

In May 2014 the Fund received 35,438 bonus shares in CN Administratia Porturilor Dunarii Maritime SA (having a nominal value of RON 10 per share) and 10,347,302 bonus shares (having a nominal value of RON 1 per share) in Banca Transilvania SA, as a result of the share capital increase of these companies through incorporation of reserves.

Mergers

In November 2014, the General Shareholders Meetings of E.ON Gaz Distributie SA and E.ON Moldova Distributie SA approved the merger of the companies, with E.ON Gaz Distributie SA as absorbing company and E.ON Moldova Distributie SA as absorbed company. Following the merger, E.ON Gaz Distributie SA changed its name to E.ON Distributie Romania SA and E.ON Moldova Distributie SA was erased from the Trade Register. The registration of the merger with the Trade Register was completed on 31 December 2014. The merger did not have any impact over the total portfolio value, as the holding in E.ON Distributie Romania SA was recorded at the cumulated values of the holdings in the two companies that merged.

Before the merger, the Fund held 12% in E.ON Gaz Distributie SA and 22% in E.ON Moldova Distributie SA. After the merger, the Fund holds 18.34% in E.ON Distributie Romania SA.

Hidroelectrica's Insolvency

On 25 February 2014 the Bucharest Court of Appeal has taken the following decisions:

- Cancelled the initial decision of Bucharest Court whereby the judicial reorganisation procedure of Hidroelectrica was closed for procedural reasons. As a result, the case will be sent back to the syndic judge for a retrial. As a consequence, the company was placed back under the reorganisation procedure and the former judicial administrator was reinstated with an immediate effect.
- Cancelled and sent back to the syndic judge for retrial few other cases related to the force majeure clause in 2011, table of creditors and termination of contracts.

As at 31 December 2014, Hidroelectrica was still under reorganisation procedure.

1. NON-CURRENT ASSETS (continued)

The movements in impairment adjustment for the financial assets during 2014 are presented below:

Name of the company	Balance as at 1 January 2014	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 2014
Adjustments for impairment of shares held in subsidiaries					
Primcom SA	4,335,472	15,662,608	-	10,413,623	9,584,457
Zirom SA	3,682,453	4,126,000	-	-	7,808,453
Total – adjustments for impairment of shares held in subsidiaries	8,017,925	19,788,608	-	10,413,623	17,392,910
Adjustments for impairment of investments in associates					
OMV Petrom SA	342,508,810	1,256,610,108	-	591,725,650	1,007,393,268
Plafar SA	-	1,326,329	-	-	1,326,329
Total - adjustments for impairment of investments in associates	342,508,810	1,257,936,437	-	591,725,650	1,008,719,597
Adjustments for impairment in other investments held as financial assets					
Hidroelectrica SA	1,001,342,426	1,163,230	-	72,931,660	929,573,996
Nuclearelectrica SA	691,827,333	99,766,507	-	5,207,592	786,386,248
Complexul Energetic Oltenia SA	348,440,812	213,439,040	-	-	561,879,852
BRD - Group Societe Generale SA	97,670,532	38,969,745	-	32,622,881	104,017,396
Alro SA	71,029,181	21,646,760	-	728,847	91,947,094
Romaero SA	37,809,231	2,361,044	219,374	2,535,178	37,415,723
Posta Romana SA	23,874,380	4,894,000	-	-	28,768,380
Romplumb SA	19,249,219	-	-	-	19,249,219
Uzina Mecanica Bucuresti SA	20,024,890	-	-	5,804,436	14,220,454
Conpet SA	-	14,134,212	-	-	14,134,212
Oil Terminal SA	7,471,069	926,505	-	1,921,473	6,476,101
Forsev SA	3,123,366	-	-	-	3,123,366
Simtex SA	3,059,858	-	-	-	3,059,858
Others	201,478,364	2,089,089	927,357	195,368,895	7,271,201
Total adjustments for impairment in other investments held as financial assets	2,526,400,661	399,390,132	1,146,731	317,120,962	2,607,523,100
TOTAL	2,876,927,396	1,677,115,177	1,146,731	919,260,235	3,633,635,607

This is a translation from the official Romanian version.

1. NON-CURRENT ASSETS (continued)

List of the financial assets as at 31 December 2014:

Name of the company	% of the share capital held as at 31 December 2014	Cost as at 31 December 2014	Adjustment for impairment as at 31 December 2014	Cost less impairment adjustment as at 31 December 2014
Shares held in subsidiaries				
Zirom SA	100.00%	47,146,452	7,808,452	39,338,000
Primcom SA	68.97%	21,929,632	9,584,457	12,345,175
Alcom SA	71.89%	471,052	-	471,052
Comsig SA	69.94%	132,633	-	132,633
Total - Shares held in subsidiaries		69,679,769	17,392,909	52,286,860
Investments in associates				
OMV Petrom SA	18.99%	5,396,921,727	1,007,393,268	4,389,528,459
Societatea Nationala a Sarii SA	48.99%	76,347,715	-	76,347,715
Plafar SA	48.99%	3,160,329	1,326,329	1,834,000
Total - Investments in associates		5,476,429,771	1,008,719,597	4,467,710,174
Other investments held as financial assets				
Hidroelectrica SA	19.94%	3,107,667,996	929,573,996	2,178,094,000
Romgaz SA	10.00%	277,909,477	-	277,909,477
BRD-Group Societe Generale SA	3.64%	326,157,637	104,017,397	222,140,240
Nuclearelectrica SA	9.72%	998,527,117	786,386,248	212,140,869
E.ON Distributie Romania SA	18.34%	169,541,165	-	169,541,165
Electrica Distributie Muntenia Nord SA	21.99%	165,221,141	-	165,221,141
ENEL Distributie Banat SA	24.12%	141,578,929	-	141,578,929
CN Aeroporturi Bucuresti SA	20.00%	131,168,263	-	131,168,263
Electrica Distributie Transilvania Sud SA	21.99%	125,918,629	-	125,918,629
ENEL Distributie Dobrogea SA	24.09%	114,760,053	-	114,760,053
Electrica Distributie Transilvania Nord SA	22.00%	113,299,904	-	113,299,904
Complexul Energetic Oltenia SA	21.55%	670,353,852	561,879,852	108,474,000
ENEL Distributie Muntenia SA	12.00%	107,277,263	-	107,277,263
Alro SA	10.21%	176,493,362	91,947,094	84,546,268
Banca Transilvania SA	2.87%	79,102,958	-	79,102,958
CN Administratia Porturilor Maritime SA	19.99%	65,441,294	-	65,441,294
GDF Suez Energy Romania SA	11.99%	62,522,462	-	62,522,462
Posta Romana SA	25.00%	84,664,380	28,768,380	55,896,000
E.ON Energie Romania SA	13.39%	45,765,358	-	45,765,358
ENEL Energie SA	12.00%	26,124,808	-	26,124,808
Romaero SA	20.99%	58,533,950	37,415,724	21,118,226
Electrica Furnizare SA	22.00%	17,819,672	-	17,819,672
CN Administratia Canalelor Navigabile SA	20.00%	15,194,210	-	15,194,210
Oil Terminal SA	6.31%	9,761,986	6,476,101	3,285,885
ENEL Energie Muntenia SA	12.00%	2,833,769	-	2,833,769
Palace SA	15.42%	1,860,419	-	1,860,419
Aeroportul International Mihail Kogalniceanu - Constanta SA	20.00%	1,490,898	-	1,490,898

This is a translation from the official Romanian version.

1. NON-CURRENT ASSETS (continued)

Name of the company	% of the share capital held as at 31 December 2014	Cost as at 31 December 2014	Adjustment for impairment as at 31 December 2014	Cost less impairment adjustment as at 31 December 2014
Other investments held as financial assets (continued)				
Aeroportul International Timisoara - Traian Vuia SA	20.00%	2,652,588	1,454,203	1,198,385
Comcereal Cluj SA	11.36%	913,756	-	913,756
CN Administratia Porturilor Dunarii Fluviale SA	20.00%	675,810	-	675,810
Forsev SA	26.50%	3,780,366	3,123,366	657,000
Mecon SA	12.51%	484,544	-	484,544
Electroconstructia Elco Cluj SA	7.61%	319,656	-	319,656
IOR SA	2.81%	348,756	57,976	290,780
Cetatea SA	20.43%	118,840	-	118,840
Conpet Ploiesti SA	6.05%	14,134,212	14,134,212	-
Salubriserv SA	17.48%	207,601	207,601	-
CN Administratia Porturilor Dunarii Maritime SA	7.70%	1,706,051	1,706,051	-
Bat Service SA	33.00%	656,686	656,686	-
Gerovital Cosmetics SA	9.76%	340,996	340,996	-
Petrotel - Lukoil SA	1.18%	2,787,316	2,787,316	-
Romplumb SA	33.26%	19,249,219	19,249,219	-
Uzina Mecanica Bucuresti SA	36.59%	14,220,455	14,220,455	-
Simtex SA	30.00%	3,059,858	3,059,858	-
World Trade Center Bucuresti SA	19.90%	42,459	42,459	-
World Trade Hotel SA	19.90%	17,911	17,911	-
Fecne SA	12.12%	-	-	-
Total – other investments held as financial assets		7,162,708,032	2,607,523,101	4,555,184,931
TOTAL		12,708,817,572	3,633,635,607	9,075,181,965

This is a translation from the official Romanian version.

2. PROVISIONS

Provisions	1 January 2014	Transfers		31 December 2014
		Increase	Reversal	
Provisions for litigation	11,104,066	293,617	-	11,397,683
Provisions for taxes	18,222,179	1,655,568	16,189,487	3,688,260
TOTAL	29,326,245	1,949,185	16,189,487	15,085,943

The *provisions for litigations* are related to the legal case started by World Trade Center Bucuresti against the Fund in August 2013, asking the Fund to pay back the amounts recovered from the enforcement procedure against this company during 2010 and 2011 and to pay the related legal interest. For more details regarding the litigation with World Trade Center Bucuresti, please see *Note 17 Contingent assets and liabilities* and for details regarding the changes in legislation with impact on this litigation, please see *Note 18 Subsequent events*.

The *provisions for taxes* are related to the reserves for bonus shares received from portfolio companies that increased their share capital through incorporation of reserves. The decrease in 2014 was due to the reversal as a result of a change to the Romanian Fiscal Code. With effect from 1 January 2014, no income tax is applied to the sale of equity instruments held in Romanian entities or in entities resident in a country with which Romania has concluded a tax treaty, where the holding is at least 10% of the company's share capital and has been held for an uninterrupted period of at least 1 year. The provision for taxes has been reduced for the bonus shares received by the Fund from companies that meet these conditions.

3. PROFIT ALLOCATION

Destination	1 January 2014	31 December 2014
Net profit to be allocated, of which:	682,154,399	1,012,898,265
- Legal reserve	34,107,720	51,476,313
Profit not allocated	648,046,679	961,421,952

In 2014, the Fund did not distribute dividends from 2013 profits, dividend distribution being replaced with a cash distribution to shareholders of RON 0.05 per share, via the decrease of the share capital through the reduction of the nominal value of the Fund's shares

The Fund's 2014 audited net profit was RON 1,012,898,265. In accordance with article 183 of the Companies Law (Law 31/1990 republished, as subsequently amended), the Fund is obliged to make transfers of at least 5% of the profit to the legal reserves, until those reserves reach a value equivalent to 20% of the value of the issued share capital of the Fund. As at 31 December 2014 the legal reserves of the Fund were in amount of RON 243,735,507 (being 2.1% of the issued share capital).

In June 2014, the FSA has issued the Endorsement ("Aviz") no.71/19.06.2014, which states the fact that the methodology for net asset value computation in accordance with CNVM Regulation 4/2010 shall not be applied in the context of the requirements of article 69 in Law 31/1990, with the subsequent amendments. The FSA has also clarified that the Endorsement is applicable prospectively from the date of its official publication, respectively 19 June 2014.

According to this Official interpretation of the FSA regarding the computation of Fund 'net asset value', dividend distributions cannot be made to shareholders at the present time because the Fund's shareholders' equity computed in accordance with Romanian Accounting Regulations (RON 9,339,030,996 as at 31 December 2014) is lower than the share capital of the Fund (RON 11,815,279,887 as at 31 December 2014).

The Fund Manager remains committed to ensuring annual cash distributions to the Fund's shareholders, based on the compliance with the applicable regulations.

4. ANALYSIS OF THE OPERATING RESULT

Caption	2013	2014
Revenue from financial assets (acc.761)	649,701,517	682,104,761
Revenue from disposal of financial assets (acc.764)	573,117,053	1,079,000,354
Revenue from foreign exchange differences (acc.765)	275,376	1,484,534
Interest income (acc.766)	36,143,817	20,896,979
Revenue from reversals of provisions and impairment adjustments (acc.781 + acc.786), including:	48,323,844	36,985,540
- from provisions for taxes (acc.7812)	-	16,189,487
- from adjustments for impairment of dividend receivables (acc.7814)	47,089,931	16,432
- from adjustment for impairment of financial assets (acc.7863)	876,493	1,146,731
- from adjustments for impairment of receivables related to subscribed unpaid share capital (acc.7864)	357,420	19,632,890
Other income from current activity (acc.706 + acc.708 + acc.758 + acc.767)	3,067,763	1,493,210
Other financial income (acc. 768)	572,847	752,368
REVENUE FROM CURRENT ACTIVITY	1,311,202,217	1,822,717,746

Revenue from financial assets included dividends receivable from portfolio companies, net of withholding tax on dividends, where applicable.

Revenue from disposal of financial assets represent the proceeds from the sales of portfolio company holdings.

Interest income arose from deposits held with banks and from short-term government securities.

Revenue from adjustments for impairment of receivables related to unpaid capital included mainly the reversal of the impairment adjustment related to the receivable due by the Romanian state to the Fund (for unpaid share capital), following the reduction in nominal value of Fund's shares from RON 1 to RON 0.95 per share.

In 2014, *other income from current activity* mainly includes the penalties charged by the Fund to portfolio companies for late payment of dividends related to the financial years 2012 and 2013, litigation expenses recovered and income resulting from the cancellation of dividends unclaimed by shareholders, related to year 2010 (RON 1,405,602).

4. ANALYSIS OF THE OPERATING RESULT (continued)

Caption	2013	2014
Expenses from disposal of financial assets (acc.664)	(528,672,074)	(661,720,488)
Expenses from foreign exchange differences (acc.665)	(241,275)	(2,308,361)
Expenses with banking and similar charges (acc.627)	(74,337)	(93,338)
Commissions and fees (acc.622)	(26,318,786)	(30,933,812)
Depreciation and amortisation, impairment adjustments and provisions expenses (acc.681+ acc.686), including:	(13,045,331)	(8,134,255)
• amortisation of software (acc.6811)	(139,972)	(313,142)
• provisions for litigations and for taxes (acc.6812)	(3,132,378)	(1,949,185)
• impairment of dividend and related receivables (acc. 6814 (part))	(377,340)	(67,493)
• impairment of receivables related to subscribed unpaid share capital (acc. 6814 (part))	(9,395,641)	(5,804,435)
Other expenses from current activity, including:	(60,696,015)	(90,001,235)
• remunerations and similar expenses, including:	(947,635)	(1,120,313)
- remunerations (acc.641+ acc.642)	(779,052)	(913,360)
- social security (acc.645)	(168,583)	(206,953)
• external services, including:	(58,898,026)	(81,055,987)
- third parties services (acc.628)	(57,724,271)	(77,356,292)
- protocol and public relations (acc.623)	(805,339)	(830,612)
- rents (acc.612)	(134,229)	(133,724)
- insurance premiums (acc.613)	(199,193)	(199,327)
- other expense (acc.611+ acc.658)	(34,994)	(2,536,032)
• other financial expenses (acc.668)	(510,091)	(5,493,488)
• other taxes and similar expenses (acc.635)	(340,263)	(2,331,447)
EXPENSES FROM CURRENT ACTIVITY	(629,047,818)	(793,191,489)
GROSS RESULT FROM CURRENT ACTIVITY	682,154,399	1,029,526,257

Expenses from disposal of financial assets represent the cost of the portfolio holdings sold.

In 2014, *commissions and fees* mainly comprised the monthly fees payable to FSA, at 0.1% per annum calculated based on Net Asset Value, amounting to RON 14,582,299 (2013: RON 15,098,151) and the depositary banks' fees of RON 1,767,065 (2013: RON 1,780,597). Commissions and fees also included the brokerage fees related to the disposals of equity investments, in the amount of RON 11,756,815 in 2014 (2013: RON 7,653,492) and FSA and Bucharest Stock Exchange fees related to these disposals, in amount of RON 1,974,112 (2013: RON 1,292,929).

In 2014 third party services included investment management and administration fees payable to the Fund Manager, of RON 56,479,028 (2013: RON 45,273,318).

Until 30 September 2014, the investment management and administration fee was calculated as 0.479% per year (out of which investment management fee was 0.379% per year and the administration fee was 0.10% per year) applied to the market capitalisation of the Fund, calculated by multiplying the number of issued shares with the average share price of Fondul Proprietatea's shares in the quarter for which the fee was calculated.

Starting with 30 September 2014, the investment management and administration fee (base fee) is calculated as 0.60% per year applied to the market capitalisation of the Fund, calculated by multiplying the number of Fund's issued and paid shares minus the number of settled treasury shares, with the weighted average share price of Fondul Proprietatea's shares, in the quarter for which the fee is calculated.

In 2013 and 2014, the investment management and administration fees were invoiced and paid on quarterly basis.

5. STATEMENT OF RECEIVABLES AND PAYABLES

Receivables	31 December 2014 Col.1=2+3+4	Due date		
		< 1 year 2	1 – 5 years 3	> 5 years 4
Interest receivable	145,932	145,932	-	-
Profit tax receivable	7,330,440	7,330,440	-	-
Trade receivables	227	227	-	-
Other receivables	1,225,655	1,225,655	-	-
TOTAL	8,702,254	8,702,254	-	-

Receivables	1 January 2014 Col.1=2+3+4	Due date		
		< 1 year 2	1 – 5 years 3	> 5 years 4
Interest receivable	88,875	88,875	-	-
Profit tax receivable	436,920	436,920	-	-
Trade receivables	1,712	1,712	-	-
Other receivables	2,381,594	2,381,594	-	-
TOTAL	2,909,101	2,909,101	-	-

Interest receivable included interest receivables on bank deposits.

As at 31 December 2014, *other receivables* included mainly the tax recoverable from the Austrian tax authorities relating to dividends distributed in 2013 by Austrian portfolio companies, amounting to RON 1,037,586, equivalent of EUR 231,496 (1 January 2014: RON 1,038,188, equivalent of EUR 231,496).

5. STATEMENT OF RECEIVABLES AND PAYABLES (continued)

Payables	31 December 2014	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Accrued expenses	19,032,507	19,032,507	-	-
Payable to shareholders related to the return of capital	11,434,904	11,434,904	-	-
Dividends payable	5,455,306	5,455,306	-	-
Payable related to buybacks under settlement	3,468,114	3,468,114	-	-
Other taxes and fees payables	1,664,561	1,664,561	-	-
Trade payables	315,591	315,591	-	-
Taxes on salaries	25,420	25,420	-	-
TOTAL	41,396,403	41,396,403	-	-

Payables	1 January 2014	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Accrued expenses	16,915,596	16,915,596	-	-
Dividends payable	11,250,020	11,250,020	-	-
Other taxes and fees payables	2,686,807	2,686,807	-	-
Trade payables	273,741	273,741	-	-
Taxes on salaries	35,825	35,825	-	-
Sundry creditors	2,182	2,182	-	-
TOTAL	31,164,171	31,164,171	-	-

As at 31 December 2014, *accrued expenses* mainly included investment management and administration fees payable to the Fund Manager of RON 16,064,203 (1 January 2014: RON 13,471,953).

As at 31 December 2014, dividends payable included dividends payable to Fund's shareholders related to the financial year 2012 of RON 4,035,381 and dividends related to the financial year 2011 of RON 1,419,925.

As at 31 December 2014, *Payable to shareholders related to the return of capital*, included the amount due to shareholders, following the share capital decrease through the reduction of the nominal value of Fund's shares from RON 1 to RON 0.95 per share.

6. SUMMARY OF 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 National Securities Commission (“CNVM”) Regulation no. 4/2011 regarding accounting regulations compliant with Economic European Commission Directive IV (“EEC Directive IV”), applicable to the entities authorised, regulated and monitored by the Financial Supervisory Authority (“FSA”), approved by CNVM Order no. 13/2011 (“CNVM Order 13/2011”) and with CNVM Instructions no. 2/2007 regarding the preparation and submission of annual financial statements by the entities authorised, regulated and monitored by the FSA, as subsequently amended.

The accounting regulations compliant with EEC Directive IV, approved by CNVM Order 13/2011 are applicable together with the Accounting Law no. 82/1991 (as revised).

The financial statements have been prepared on a historical cost basis. The CNVM Order 13/2011 regarding the approval of the “Accounting Regulations compliant 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 Fund is required to prepare for information purposes, financial statements in compliance with the International Financial Reporting Standards as endorsed by European Union (“IFRS”) and these will be published in accordance with the requirements of the legislation in force.

b. Basis of preparation of the financial statements

These financial statements are prepared and expressed in RON 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 accounting regulations applicable to the institutions regulated and monitored by FSA.

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.

The general accounting principles applied are as follows:

- **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 valuation and recording in accounting of the transactions, ensuring the comparability in time of the financial information;
- **Prudence principle** – assumes that all the impairment adjustments for assets, as well as all the liabilities and potential losses incurred in current or previous financial years are recorded;

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Basis of preparation of the financial statements (continued)

- **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** – assumes that 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 cannot be offset with liabilities, and income cannot be offset with expenses, except for the offsetting allowed by CNVM Order 13/2011;
- **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 CNVM Order 13/2011, with subsequent amendments, requires the 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 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 analyses 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, RON.

(ii) Translation of the transactions in foreign currency

The Fund's foreign currency transactions are translated to RON at the official exchange rate published by the National Bank of Romania ("NBR") for the transaction date. The foreign currency balances are translated to RON 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 income statement.

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

	31 December 2013	31 December 2014
1 Dollar (USD)	RON 3.2551	RON 3.6868
1 Euro (EUR)	RON 4.4847	RON 4.4821

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Financial assets

(i) Classification

As at 31 December 2014 and 1 January 2014, the Fund classified as non-current financial assets all shares held in subsidiaries, investments in associates and 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% 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% 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.

All equity investments of the Fund as at 31 December 2014 and 1 January 2014 were classified as non-current financial assets, as the Fund's investment objective is long-term capital appreciation via investments in equities or equity-linked securities.

If the Fund holds below the threshold of 20% from the share capital, but has a significant influence, based on the criteria analysis which indicate the existence of significant influence, those holdings were considered and presented in these financial statements, as investments in associates. As at 31 December 2014, the Fund had three holdings which met these criteria (as at 31 December 2013 there was only one holding).

(ii) Recognition

The Fund recognises the financial assets as at the date when they have been transferred to the Fund and these are recorded at acquisition cost, including brokerage fees and other costs directly related to the acquisition (where applicable) 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 that the transaction is recorded at the exchange where the shares are traded (trade date).

In the 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 ownership.

Mergers of portfolio companies are recognised at the date when the merger is registered at the Trade Register. The value of the holding of the Fund in the merged entity is recorded as the cumulated values before the merger of the holdings in the entities that merged.

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.

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 regarding the reform in property and justice, as well as certain adjacent measures, with subsequent amendments ("Law 247/2005"), 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 percentage, 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;

This is a translation from the official Romanian version.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Financial assets (continued)

- for the shares received in June 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 holding percentage, 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 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 (initial value) is 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 CNVM Order 13/2011, with subsequent amendments, financial assets are carried in the balance sheet at historical cost, less accumulated adjustments for impairment.

As at balance sheet date, the carrying value (acquisition cost /initial value plus additions) should be compared with the recoverable value. The negative differences between the recoverable amount and the carrying value shall be recorded as impairment adjustment in a dedicated shareholders' equity 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 reporting date), 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 issuer (e.g.: semi-annual or annual financial statements), proportionately with the stake held by the Fund, or using the value assessed by an independent valuator.

In performing the above-mentioned impairment test, the financial information from the most recent financial statements of the companies is corroborated with the most recent public available qualitative and quantitative information regarding the assets.

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 carrying amount of the asset after reversal does not exceed its historical cost. The adjustments for impairment are reversed as follows:

- through income, if the adjustments were initially recognised through income statement;
- through the reserve account – 1062, if the adjustments were initially recognised directly in this account.

(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 from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Financial assets (continued)

The derecognition of any financial asset disposed of is recognised on the date when ownership is transferred. Gains or losses arising from derecognition are calculated based on proceeds on disposal of financial assets and assets historical cost/ initial value and are recorded in the income statement.

The Fund uses the weighted average cost method (WAC) to determine the cost/ initial value of financial assets disposed of.

g. Cash and cash equivalents and other financial instruments

Cash and cash equivalents are recorded in the balance sheet at cost. For the purposes of the Statement of Cash Flows, cash and cash equivalents include the petty cash, current accounts with banks and placements in bank deposits with original maturity less than 3 months.

Short term investments include government bonds and treasury bills. The inventory relief method used for the disposal of these financial instruments is "first in first out" (FIFO).

h. Provisions for risks and charges

The provisions are recognised when the Fund has a legal or constructive obligation resulting 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.

i. Board members' benefits

The Fund has no employees, but from the benefits point of view, the members of the Board of Nominees and the special administrator appointed in portfolio companies in insolvency have the same legal status as employees, even if they have concluded mandate agreements and not labour agreements with the Fund. During the normal course of business, the Fund makes payments to the state health, pensions and unemployment funds related to the members of the Board of Nominees and for the special administrator appointed in portfolio companies in insolvency, in accordance with the regulations in force. All the Board of Nominees members and the special administrator appointed in portfolio companies in insolvency are members of the public pension plan of the Romanian State. Such costs are recognised in the income statement together with the recognition of the related remunerations.

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

j. 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 2014 is 16% (2013: 16%).

k. Expense recognition

Expenses from disposal of financial assets represent the cost of the investments disposed of on the date of the sale, using the weighted average cost method (WAC).

The commissions and fees and the operating expenses of the Fund are recognised in income statement at the date the services they are referring to are received.

l. Income recognition

(i) Income from investments

Dividend income distributed by listed companies is recognised at the ex-dividend date. Dividend income distributed by unlisted companies is recorded on the date when such companies' General Shareholders Meetings approve the dividend distribution.

(ii) Interest income

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Bonus shares

The bonus shares 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. The value of these shares is recorded in account 1065 - Reserves for financial assets received free of charge.

Bonus shares are recorded in accounting as a financial asset at the date when they are recorded with the Central Depository (for listed shares) or with the Trade Register (for unlisted shares).

n. Shares received as Romanian state's in kind contributions

The shares received from the Romanian state as in kind contributions to the share capital of the Fund are recorded at nominal value.

According to the provisions of Law 247/2005 (title VII, article 9 paragraph (6)), as subsequently amended), the nominal value of the shares in companies owned by the Fund and the Romanian state which are received by the Fund as in kind contributions from the Romanian state to the Fund's share capital, will be used to reduce the subscribed unpaid share capital of the Romanian State in the Fund.

o. Treasury shares

The Fund recognises treasury shares (repurchases of own shares) at the date when the transaction is recorded at the exchange where shares are traded (trade date) and are recorded at acquisition cost, including brokerage fees and other costs directly related to the acquisition.

Upon cancellation of treasury shares, the difference between the nominal value and the acquisition cost of the shares (including brokerage fees and other costs directly related to the acquisition), is initially recorded through a special equity account and then recorded in other reserves.

p. Dividends payable

Dividends declared by the Fund are recorded as dividends payable when the Fund's General Shareholders Meeting approves the dividend distribution, as the Fund is then legally obliged to pay them.

According to the provisions of the legislation in force, the Fund is allowed to cancel the rights of shareholders to collect any dividends which have remained unclaimed for at least 3 years after the date when the respective dividend distribution commenced. Upon cancellation, the Fund records the value of these dividends as income in the income statement.

q. 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).

r. Events after the balance sheet date

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) Those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and
- (b) Those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

In case of adjusting events after the balance sheet date, the Fund needs to adjust the amounts recorded in the annual financial statements, to reflect the events after the balance sheet date. In case of non-adjusting events after the balance sheet date, the Fond does not adjust the amounts recorded in the annual financial statements, those being disclosed in the notes of the financial statements.

7. FINANCING SOURCES

Shares

As at 31 December 2014, the share capital subscribed was RON 11,815,279,886.85 representing 12,437,136,723 shares with a nominal value of 0.95 RON per share, out of which 363,812,350 shares were unpaid.

The shareholder structure as at 31 December 2014 is as follows:

No.	Shareholder Type	% of subscribed share capital	% of paid-up share capital	% of voting rights
1	Foreign institutional shareholders	51.84%	53.40%	59.04%
2	Romanian private individuals	19.82%	20.41%	22.57%
3	Romanian institutional shareholders	10.72%	11.05%	12.21%
4	Treasury shares	9.27%	9.55%	0.00%
5	Foreign private individuals	5.39%	5.55%	6.14%
6	Ministry of Public Finance	2.96%	0.04%	0.04%
TOTAL		100.00%	100.00%	100.00%

The total number of shareholders as at 31 December 2014 was 8,306.

Unpaid share capital represents the net value of certain contributions due from the Romanian State represented by the Ministry of Public Finance, as shareholder to the Fund that were recorded in previous years as paid capital (based on Law 247/2005, with subsequent amendments).

In 2014, the paid-up capital of the Fund:

- decreased by RON 1,286,207,951 following the cancellation of 240,304,801 treasury shares acquired by the Fund in the first buy-back programme carried on in 2011 and the cancellation of 1,045,903,150 treasury shares acquired by the Fund in the second buy-back programme carried on in 2013.
- decreased by RON 658,705,091 following the reduction of the nominal value of the shares from RON 1.00 per share to RON 0.95 per share.
- increased by RON 1,433,610 due to the receipt by the Fund of 26,904 shares in Complexul Energetic Oltenia SA and of 116,457 shares in Hidroelectrica SA following a share capital increase of these companies, recorded as contribution in kind from the Romanian State to the share capital of the Fund.

Following all these changes, as at 31 December 2014 the paid-up capital of the Fund decreased from RON 13,413,137,586 to RON 11,469,658,154.35 (divided in 12,073,324,373 shares with a nominal value of RON 0.95 per share) and the subscribed share capital of the Fund decreased from RON 13,778,392,208 to RON 11,815,279,886.85 (divided in 12,437,136,723 shares with a nominal value of RON 0.95 per share).

Treasury Shares

The Fund's General Shareholders Meeting in September 2010 approved a first buyback programme of up to 10% of the Fund's share capital at prices ranging between 0.2 - 1.5 RON, which was valid until March 2012. The buyback programme started in May 2011 and by 30 September 2011 the Fund completed this programme by acquiring 240,304,801 shares equivalent to 1.74% of the Fund subscribed share capital for a total acquisition value, including transaction costs, of RON 120,268,583. The cancellation of the shares acquired within this buyback programme through the decrease of the subscribed share capital of the Fund was endorsed by FSA on 21 February 2014 and was effective on 24 February 2014.

At the General Shareholders Meeting on April 2012, the shareholders approved a second buyback programme: subject to availability of cash, the Fund Manager was authorised to repurchase a maximum number of 1.1 billion shares within the next 18 months within the price range of RON 0.2 per share to RON 1.5 per share to be cancelled upon completion of the buyback programme. The second buy-back programme started on 12 April 2013 and by 31 December 2013 the Fund had acquired all the 1,100,950,684 shares subject to the buy-back programme at a total acquisition value, including transaction costs, of RON 974,824,667. In the 28 April 2014 Annual General Shareholders Meeting, the shareholders approved the decrease of the subscribed share capital of the Fund through the cancellation of the treasury shares acquired by the Fund in the second buy-back programme. The cancellation of the shares acquired within this buyback programme was effective on 26 September 2014.

7. FINANCING SOURCES (continued)

Treasury Shares (continued)

At the General Shareholders Meeting in November 2013, the shareholders approved a third buyback programme: the Fund Manager was authorised to repurchase a maximum number of 252,858,056 shares or 1.89% of the paid-up share capital, within 18 months of the date when the shareholders' resolution is published in the Official Gazette, within the price range of RON 0.2 per share to RON 1.5 per share, to be cancelled upon completion of the buyback programme. The execution of the third buy-back programme started on 25 March 2014 and until 23 July 2014, all 252,858,056 treasury shares were acquired, at a total acquisition value, including transaction costs, of RON 205,784,683. The shares acquired during the third buyback programme were not cancelled until 31 December 2014. The share capital decrease is effective beginning with 27 January 2015. For further details on the cancellation of shares acquired in the third buy-back programme, please see *Note 18 Subsequent Events*.

In the 28 April 2014 Annual General Shareholders Meeting, the shareholders approved the fourth buy-back programme, for a maximum number of (i) 990,855,616 shares or (ii) 10% of the issued share capital at the relevant time, whichever is the lesser, starting with the date when the third buy-back programme is completed. As with previous buy-back, the programme can be executed within 18 months of the date when the shareholders' resolution is published in the Official Gazette of Romania. The buy-back shall be performed at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share and the shares repurchased will be cancelled. The execution of the fourth buy-back programme started on 1 October 2014 and until 31 December 2014, 904,491,044 treasury shares were acquired, at a total acquisition value, including transaction costs, of RON 986,465,485.

In the 19 November 2014 General Shareholders' Meeting, the shareholders approved the fifth buy-back programme, that refers to the acquisition of a maximum number of (i) 227,572,250 shares or (ii) 10% of the subscribed share capital at the relevant time, whichever is the lesser, starting with the date when the share capital decrease approved through EGM Resolution on 23 September 2014 (regarding the cancellation of the shares purchased by the Fund during the third buy-back programme) is effective until August 2016. The buy-back shall be performed at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share. The shares purchased will be cancelled. The shareholders' decision regarding the share capital decrease and the change of the Constitutive Act will be approved by the shareholders, with the observance of the provisions of the Constitutive Act, being agreed that the shareholders may approve one or more share capital decreases as the shares are being bought back and the shareholders are convened by the Sole Administrator. This buy-back programme implementation will be subject to the availability of the necessary cash.

8. INFORMATION REGARDING THE EMPLOYEES, ADMINISTRATORS AND MANAGEMENT

	2013	2014
Gross remuneration:		
Members of the Board of Nominees	779,052	900,000
Special administrator of a portfolio company	-	13,360
Total remuneration expenses	779,052	913,360

The expenses representing the Fund's contribution to the social security fund, health insurance fund, unemployment and social protection funds are not included in the amounts above. All the amounts presented above are gross amounts and include the taxes and contributions owed by the members of the Board of Nominees and by the special administrator of a portfolio company in insolvency, according to the laws in force.

On 29 September 2010 the administration and management of Fondul Proprietatea was taken over by Franklin Templeton Investment Management Limited, United Kingdom, Bucharest Branch ("FTIML"), which was appointed as Sole Director. The mandate of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch as the Fund Manager and Sole Director of the Fund was renewed for 2 years beginning with 30 September 2014. According to the Investment Management Agreement, FTIML also acts as the 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.

9. COMPUTATION AND ANALYSIS OF THE MAIN FINANCIAL RATIOS

1. Liquidity ratios

	31 December 2013	31 December 2014
a) Current liquidity ratio (number of times)		
$\frac{\text{Current assets}}{\text{Current liabilities}} =$	14.57	7.72
b) Quick liquidity ratio/acid test (number of times)		
$\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}} =$	14.57	7.72
c) Payment capacity ratio		
$\frac{\text{Cash and bank accounts} + \text{Short term financial investments}}{\text{Current liabilities}} =$	14.48	7.51

2. Risk ratios

	31 December 2013	31 December 2014
a) Gearing ratio		
$\frac{\text{Borrowed capital}}{\text{Shareholders' equity}} =$	-	-
b) Solvency ratio		
$\frac{\text{Total assets}}{\text{Current liabilities}} =$	351.22	226.96

The gearing ratio is zero, as the Fund had no borrowings as at 31 December 2013 and 31 December 2014.

3. Activity ratios (management ratios)

	31 December 2013	31 December 2014
a) Turnover of non-current assets (number of times)		
$\frac{\text{Turnover}^*}{\text{Non-current assets}} =$	0.125	0.201
b) Turnover of total assets (number of times)		
$\frac{\text{Turnover}^*}{\text{Total assets}} =$	0.120	0.194

* For the calculation of this ratio, the Total revenue from current activity were used

4. Profitability ratios

	31 December 2013	31 December 2014
a) Profitability of capital employed (%)		
$\frac{\text{Profit before interest and income tax}}{\text{Capital employed}^*} =$	6.27%	11.02%
b) Return on Assets (%)		
$\frac{\text{Net Profit}}{\text{Total assets}} =$	6.23%	10.78%
c) Return on Equity (%)		
$\frac{\text{Net Profit}}{\text{Shareholders' equity}} =$	6.27%	10.85%
d) Dividend yield (%)		
$\frac{\text{Dividend per share}}{\text{Share price}^{**}} =$	4.91%	***
e) Dividend pay-out ratio		
$\frac{\text{Dividend per share}}{\text{Profit per share}} =$	0.95	***

* Capital employed includes Shareholders' equity

** Closing price as at 31 December 2013 and 31 December 2014

*** In 2014, dividend distribution was replaced by a return of capital to shareholders, following the decrease of the nominal value of shares by RON 0.05 per share.

This is a translation from the official Romanian version.

10. OTHER INFORMATION

a) Information regarding the presentation of the Fund

The Fund is an undertaking for collective investments, in the form of a closed end investment company, established in accordance with Law no. 247/2005, as subsequently amended („Law 247/2005”) and registered in Bucharest on 28 December 2005. During the reporting period, the address of the Fund’s registered office was 78 – 80, Buzzești Street, 7th Floor, District 1, Bucharest.

When established, the Fund was an entity controlled by the Romanian state represented by the Ministry of Public Finance, the stake of the state decreasing below the control threshold, as the compensation process in accordance with Law 247/2005 continued.

The Fund undertakes its activities in accordance with Law 297/2004, regarding the securities market, as amended (“Law 297/2004”) and Law no. 31/1990 regarding companies, republished, with subsequent amendments (“Law 31/1990”). 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’s investment objective is long-term capital appreciation via investments mainly in Romanian equities or equity-linked securities.

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, according to the law.

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch is the Fund Manager and Sole Director of the Fund, effective since 29 September 2010. The mandate of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch as the Fund Manager and Sole Director of the Fund was renewed for 2 years beginning with 30 September 2014.

Starting 25 January 2011, Fondul Proprietatea has been a listed company on the spot regulated market managed by the Bucharest Stock Exchange in Tier I shares of the Equity Sector of the market (renamed, starting 5 January 2015 as Premium Tier shares),, under ISIN number ROFPTAACNOR5, with the market symbol “FP”.

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.

10. OTHER INFORMATION (continued)

c) Information regarding the current income tax

	2013	2014
Gross profit	682,154,399	1,029,526,257
Tax deduction related to the allocation of profit to the legal reserve	(1,866,023)	-
Income from provisions and impairment adjustments - Non taxable	(48,323,844)	(36,985,540)
Income from dividends from Romania entities - Non taxable	(644,833,933)	(654,246,883)
Income from disposal of financial assets - Non taxable	-	(964,229,782)
Gain on cancellation of treasury shares – taxable equity item	-	191,114,701
Gain on decrease of nominal value of treasury shares – taxable equity item	-	57,379,239
Expenses with provisions and impairment adjustments - Non deductible	12,905,358	7,821,113
Expenses related to disposal of financial assets - Non deductible	-	473,045,554
Other non-deductible expenses	1,089,440	18,263,974
Taxable profit / (Fiscal loss) for the current year	1,125,397	121,688,633
Tax losses carried forward	(3,264,077)	(2,138,680)
Taxable profit / (Fiscal loss) taking into account tax losses carried forward from previous year	(2,138,680)	119,549,953
Current income tax (16%)	-	19,127,992
- deductions for sponsorship expenses	-	(2,500,000)
Income tax expense	-	16,627,992
Income tax paid for the current year	-	23,958,432
Income tax receivable	436,920	7,330,440

In accordance with the changes to the Romanian Fiscal Code, with effect from 1 January 2014, no income tax is applied to the sale of equity instruments held in Romanian entities or entities resident in a country with which Romania has a tax treaty, where the holding is at least 10% of the share capital of the entity and has been held for an uninterrupted period of at least 1 year.

d) Turnover

Turnover includes total revenue from current activity, consisting mainly of dividend income, interest income and revenue from disposal of financial assets.

e) Auditor's fees

The financial auditor of Fondul Proprietatea for the year 2014 is Deloitte Audit SRL. The audit fee for the audit of the financial statements prepared in accordance with Romanian accounting regulations (CNVM Order 13/2011) of the year 2014 (statutory audit) is of RON 96,365 excluding VAT and is recorded in the period when the services are provided (partially in 2014 and partially in 2015).

11. PORTFOLIO COMPONENTS

Name of the company	% of the share capital held as at 31 December 2014	Cost (Initial value) as at 31 December 2014	Market value as at 31 December 2014
Listed companies			
Alcom SA	71.89%	471,052	4,399,976
Alro SA	10.21%	176,493,362	84,546,268
Banca Transilvania SA	2.87%	79,102,958	143,234,554
BRD-Group Societe Generale SA	3.64%	326,157,637	222,140,240
Comcereal Cluj SA	11.36%	913,756	974,649
Conpet SA Ploiesti	6.05%	14,134,212	-
Forsev SA	26.50%	3,780,366	6,117,932
IOR SA	2.81%	348,756	786,682
Mecon SA	12.51%	484,544	240,216
Nuclearelectrica SA	9.72%	998,527,117	212,140,869
Oil Terminal SA	6.31%	9,761,986	3,285,885
OMV Petrom SA	18.99%	5,396,921,727	4,389,528,460
Palace SA	15.42%	1,860,419	2,216,343
Primcom SA	68.97%	21,929,633	12,345,176
Romaero SA	20.99%	58,533,949	21,118,225
Romgaz SA	10.00%	277,909,477	1,362,879,066
Romplumb SA	33.26%	19,249,219	-
Total – Listed companies		7,386,580,170	6,465,954,541
Unlisted companies			
Aeroportul International Mihail Kogalniceanu - Constanta SA	20.00%	1,490,898	2,279,999
Aeroportul International Timisoara - Traian Vuia SA	20.00%	2,652,588	1,657,295
Bat Service SA	33.00%	656,686	-
Cetatea SA	20.43%	118,840	363,259
CN Administratia Canalelor Navigabile SA	20.00%	15,194,209	16,246,340
CN Administratia Porturilor Dunarii Fluviale SA	20.00%	675,810	3,541,224
CN Administratia Porturilor Dunarii Maritime SA	7.70%	1,706,051	-
CN Administratia Porturilor Maritime SA	19.99%	65,441,294	132,593,826
CN Aeroporturi Bucuresti SA	20.00%	131,168,263	332,285,906
Complexul Energetic Oltenia SA	21.55%	670,353,852	108,472,675
Comsig SA	69.94%	132,633	1,538,490
E.ON Distributie Romania SA	18.34%	169,541,165	441,450,580
E.ON Energie Romania SA	13.39%	45,765,358	133,899,606
Electrica Distributie Muntenia Nord SA	21.99%	165,221,141	235,599,683
Electrica Distributie Transilvania Nord SA	22.00%	113,299,904	201,599,594
Electrica Distributie Transilvania Sud SA	21.99%	125,918,629	206,499,494
Electrica Furnizare SA	22.00%	17,819,672	126,367,968
Electroconstructia Elco Cluj SA	7.61%	319,656	717,565
ENEL Distributie Banat SA	24.12%	141,578,929	640,490,828
ENEL Distributie Dobrogea SA	24.09%	114,760,053	396,894,780
ENEL Distributie Muntenia SA	12.00%	107,277,263	465,768,833
ENEL Energie Muntenia SA	12.00%	2,833,769	65,143,965
ENEL Energie SA	12.00%	26,124,808	74,376,960

This is a translation from the official Romanian version.

11. PORTFOLIO COMPONENTS (continued)

Name of the company	% of the share capital held as at 31 December 2014	Cost as at 31 December 2014	Market value as at 31 December 2014
Unlisted companies			
Fecne SA	12.12%	-	-
GDF Suez Energy Romania SA	11.99%	62,522,462	461,320,893
Gerovital Cosmetics SA	9.76%	340,996	-
Hidroelectrica SA	19.94%	3,107,667,996	2,178,093,960
Petrotel - Lukoil SA	1.18%	2,787,316	-
Plafar SA	48.99%	3,160,329	1,833,999
Posta Romana SA	25.00%	84,664,380	55,894,726
Salubriserv SA	17.48%	207,601	-
Simtex SA	30.00%	3,059,858	-
Societatea Nationala a Sariei SA	48.99%	76,347,715	142,881,926
Uzina Mecanica Bucuresti SA	36.59%	14,220,455	-
World Trade Center Bucuresti SA	19.90%	42,459	-
World Trade Hotel SA	19.90%	17,912	-
Zirom SA	100.00%	47,146,452	39,337,981
Total unlisted companies		5,322,237,402	6,467,152,355
Total		12,708,817,572	12,933,106,896

The market values for the financial assets presented above are the values as per the 31 December 2014 NAV report (except for those holdings in portfolio companies whose values were adjusted due to the identification of adjusting post-balance sheet date events). They are determined according to regulations currently applying to Fondul Proprietatea (CNVM Regulation no. 4/2010, as subsequently amended), as follows:

- for listed shares traded in the last 30 trading days: last closing price or reference price (in 2014);
- for unlisted shares or listed shares not traded in the last 30 trading days: either shareholders' equity value per latest financial statements (proportionally with the stake held) or using valuation methods in accordance with International Valuation Standards (fair value principles);
- shares in companies going through an insolvency or reorganisation procedure are valued either at zero or at the value provided by an independent valuer, using valuation methods in accordance with International Valuation Standards (fair value principles);
- shares in companies under judicial liquidation procedure, or any other liquidation procedures, as well as in companies under temporary or final suspension of operation, are valued at zero until the procedure is finalised.

12. CASH AND BANK ACCOUNTS

	1 January 2014	31 December 2014
Current accounts and cash	5,552,477	6,879,129
Deposits with banks with original maturity less than or equal to 3 months	232,021,138	84,278,998
Deposits with banks with original maturity greater than 3 months	-	25,000,000
Total	237,573,615	116,158,127

	1 January 2014	31 December 2014
Term deposits with banks in RON	208,000,000	93,700,000
Overnight deposits with banks in RON	24,021,138	15,578,998
Subtotal deposits with banks	232,021,138	109,278,998
Current accounts with banks in RON	62,232	5,560,105
Current accounts with banks in RON – payment of dividends and return of capital	1,643,996	1,316,445
Current accounts with banks in foreign currency	3,846,063	2,041
Cash in hand	186	538
Subtotal current accounts and cash	5,552,477	6,879,129
Total	237,573,615	116,158,127

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

Bank	1 January 2014	31 December 2014
Banca Comerciala Romana SA	-	68,700,000
Unicredit Tiriac Bank	75,000,000	25,000,000
BRD Groupe Societe Generale	24,021,138	15,578,998
ING Bank NV Sucursala Bucuresti	75,000,000	-
Citi Bank Romania	58,000,000	-
TOTAL	232,021,138	109,278,998

Description		Deposit amount		Interest as at 31 December 2014		Weigh in total Deposit amount	Date	
		Due date<60 days	Due date > 60 days	%	Amount		Start date	Maturity date
Bank	Acc.							
Term Deposits								
Banca Comerciala Romana SA	5121	68,700,000	-	0.40%	1,527	62.87%	30-Dec-14	05-Jan-15
Unicredit Tiriac Bank	5121	-	25,000,000	1.55%	144,236	22.88%	20-Aug-14	20-Feb-15
Total Term Deposits		68,700,000	25,000,000		145,763	85.75%		
Overnight Deposits								
BRD Groupe Societe Generale	5121	15,578,998	-	0.39%	169	14.25%	31-Dec-14	05-Jan-15
Total Overnight Deposits		15,578,998	-		169	14.25%		
Total Deposits		84,278,998	25,000,000		145,932	100.00%		

This is a translation from the official Romanian version.

13. SHORT-TERM INVESTMENTS

Short-term investments include treasury bills and short-term government bonds.

As at 31 December 2014 the treasury bills comprise treasury bills with discount, with residual maturity up to 12 months and with face value at maturity of RON 164,110,000.

The implicit interest rates calculated (based on the yield to maturity for each issue) ranged between 1.7% and 2.09% per year.

SHORT-TERM INVESTMENTS	1 January 2014	31 December 2014
Treasury bills	129,887,376	162,839,400
Government bonds	83,748,145	31,749,581
TOTAL	213,635,521	194,588,981

TREASURY BILLS

Intermediary	ISIN	Acquisition value	Treasury Bills (Acquisition value)		%	Cumulated interest as at 31 December 2014 Amount	Date	
			Maturity < 60 days	Maturity > 60 days			Starting date	Maturity date
BRD Groupe Societe Generale	RO1415CTN024	10,842,298	-	10,842,298	1.80%	79,149	07-Aug-14	26-Jan-15
Banca Comerciala Romana SA	RO1415CTN057	24,718,688	-	24,718,688	1.70%	178,592	30-Jul-14	30-Mar-15
Raiffeisen Bank SA	RO1415CTN073	58,498,508	-	58,498,508	1.70%	428,177	30-Jul-14	27-May-15
Banca Comerciala Romana SA	RO1415CTN081	27,544,935	-	27,544,935	1.95%	217,834	08-Aug-14	09-Jun-15
BRD Groupe Societe Generale	RO1415CTN0B1	39,998,773	-	39,998,773	2.09%	332,446	07-Aug-14	10-Aug-15
TOTAL		161,603,202		161,603,202		1,236,198		

SHORT-TERM GOVERNMENT BONDS

Intermediary	ISIN	Value as at 31 December 2014	Nominal value	Government bonds		Coupon rate %	Date	
				Maturity < 60 days	Maturity > 60 days		Starting date	Maturity date
BRD Groupe Societe Generale	RO1015DBN010	31,749,581	30,000,000	-	31,749,581	6.00%	07-Aug-14	30-Apr-15
TOTAL		31,749,581	30,000,000	-	31,749,581			

14. RELATED PARTIES TRANSACTIONS

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

The Romanian State represented by the Ministry of Public Finance controlled the Fund during 2010, but during 2011 its holding fell below the control threshold (as at 31 December 2014: 2.96% of issued share capital, respectively 0.04% of paid-up share capital).

(a) Subsidiaries

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

Ownership interest	2013	2014
Alcom SA Timisoara	72%	72%
Comsig SA Sighisoara	70%	70%
Primcom SA Bucuresti	75%	69%
Zirom SA Giurgiu	100%	100%

During 2014, the Fund carried out the following transactions with its subsidiaries: (1) in January 2014, Primcom SA performed a capital return to its shareholders following the decrease of its share capital by reducing the nominal value of the shares from RON 2.5 to RON 0.1 and (2) in June 2014, the Fund sold part of its holding in Primcom SA in a buyback programme carried out by this company.

During 2013, the Fund recorded and received a dividend of RON 24,392 from Alcom SA.

(b) Associates

Ownership interest	2013	2014
OMV Petrom SA	19%	19%
Societatea Nationala a Sarii SA	Not an associate	49%
Plafar SA	Not an associate	49%

In 2014, the management has reassessed the indicators of significant influence regarding the portfolio companies and concluded that, in case of Societatea Nationala a Sarii SA and Plafar SA, the Fund has significant influence over the financial and operating policies of these companies due to the active representation in the board of directors and active participation in policy making process. In consequence, starting 2014, in addition to OMV Petrom SA, Societatea Nationala a Sarii SA and Plafar SA are also classified as Fund's associates.

In 2014, the Fund recorded and collected from OMV Petrom SA a dividend of RON 331,366,364 (2013: RON 318,951,645) and from Societatea Nationala a Sarii SA a dividend of RON 19,808,541.

(c) Fund Manager

During 2014, the Fund recorded the following expenses payable to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, the Fund Manager of the Fund: investment management and administration fees of RON 56,479,028 (2013: RON 45,273,318), rent expenses of RON 86,289 (2013: RON 104,237) and related operating costs of RON 22,951 (2013: RON 28,894).

During 2014 the Fund also recorded an amount of RON 2,986,573 (2013: RON 1,754,236), representing expenses incurred by the Fund Manager on Fund's behalf. These expenses were primarily related to promotional activities for the Fund (investor relations) and valuation services. The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominees approval.

As at 31 December 2014 the total liability to Fund Manager related to the above mentioned transactions was in the amount of RON 17,189,421 (1 January 2014: 14,019,201).

15. DIVIDEND INCOME

Company	2013	2014
OMV Petrom SA	318,951,645	331,366,364
Romgaz SA	158,941,766	148,525,046
GDF Suez Energy Romania SA	22,800,000	33,600,000
Nuclearelectrica SA	2,326,200	27,857,878
Electrica Distributie Muntenia Nord SA	16,206,230	23,212,251
Transelectrica SA	3,997,666	22,046,532
Societatea Nationala a Sarii SA	9,297,643	19,808,541
Electrica Furnizare SA	9,260,589	19,637,608
Electrica Distributie Transilvania Sud SA	-	12,733,949
CN Aeroporturi Bucuresti SA	9,135,228	12,318,258
Electrica Distributie Transilvania Nord SA	-	11,666,194
CN Administratia Porturilor Maritime SA	5,355,572	10,118,832
Conpet SA	8,403,049	8,773,485
CN Administratia Porturilor Dunarii Maritime SA	227,764	260,440
CN Administratia Canalelor Navigabile SA	856,672	175,612
CN Administratia Porturilor Dunarii Fluviale SA	473,250	3,771
Aeroportul International Timisoara - Traian Vuia SA	672,674	-
Transgaz SA	37,568,760	-
E.ON Gaz Distributie SA	29,933,522	-
Complexul Energetic Oltenia SA	10,343,621	-
Raiffeisen Bank International AG	4,211,536	-
Erste Group Bank AG	656,048	-
Oil Terminal SA	35,229	-
Alcom SA	24,392	-
Ciocirlia SA	22,393	-
IOR SA	68	-
TOTAL	649,701,517	682,104,761

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 effects associated with these risk factors on the financial performance of the Fund.

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

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.

Cash accounts with banks (EUR 295, USD 103, GBP 58), receivables (EUR 231,496) and liabilities (EUR 11,499; GBP 16,136) denominated in foreign currency are not material.

The Fund considers that its functional currency is the local currency (RON).

Interest rate risk

The majority of the financial assets of the Fund are not interest bearing. The interest bearing financial assets (deposits and government securities) generally have short-term maturity: deposits generally up to 3 months, treasury bills and short-term government bonds up to 12 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 became more significant in previous years, especially since the latter half of 2008, given the 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 in that period, and these negatively influenced Fund's shareholders' equity. During the following years, including 2014, the impairment adjustments previously booked were partially reversed due to market recoveries, but in certain periods, on downward market trends, additional impairment adjustments were recorded for some of the listed equity investments of the Fund.

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, government securities and dividends receivable.

For government securities held, the credit risk is assessed as low to moderate, given that their issuer is the Romanian State through the Ministry of Public Finance.

Cash held by the Fund that is not invested in portfolio companies or government securities 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 where the financial institution or the institution's corporate parent, have a credit rating 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.

16. FINANCIAL RISK MANAGEMENT (continued)

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 unlisted securities, which are not traded on a regulated 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.

Part of the equity securities held by the Fund are listed on the Bucharest Stock Exchange. However, not all the shares listed on the Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions.

The Fund prudently manages liquidity risk by maintaining sufficient liquid assets to settle the 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, service providers, 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 avoidance of control procedures that restrict initiative.

v) *Economic environment*

The ongoing uncertainty about the direction of European fiscal politics, responding central bank action and fears of a renewed possible breakup of the European Union (or single countries leaving, like a now less unthinkable Greek exit), continue to add volatility to equity markets, especially for countries with strong links to Europe.

Further uncertainty is linked to recent spikes in volatility in commodity markets, especially from the dramatic fall in oil prices. Companies with a heavy reliance on commodities will face increased uncertainty and their cash flow can be affected.

Both political uncertainty and volatility in commodities can impact the value of the Romanian economy and consequently also the Fund's portfolio companies and its shares.

Management is unable to predict all developments which could have an impact on the Romanian economy and consequently what effect, if any, they could have on the performance of the Fund and its financial statements.

Management is unable to reliably estimate the effects on the Fund's financial statements of any further deterioration in the liquidity of the financial markets, devaluation of financial assets influenced by the increased volatility in the currency and equity markets.

17. CONTINGENT ASSETS AND LIABILITIES

1. Litigations

As at 31 December 2014 the Fund was involved in certain litigations, either as defendant or claimant.

The Fund discloses in the financial statements those which may have significant effects on the Fund's financial position or profitability. The most important litigations were as follows:

Some minority shareholders of the Fund (acting individually) have filed litigations against the Fund on various grounds, including some seeking the cancellation of certain resolutions of the General Shareholders Meeting ("GSM") and others seeking to block the registration of some resolutions with the Trade Register. These litigations are at various stages of process within the Romanian Court system and updates are frequently reported by management through the Stock Exchange news system.

In one of these cases, on 10 October 2012 the Bucharest Court of Appeal rejected the appeal filed by the Fund and upheld the decision of the Bucharest Court to partly admit a claim to annul certain resolutions from the 6 September 2010 GSM relating to (inter alia) approval of a new Constitutive Act and the first appointment of FTIML as the administrator of the Fund. Also, in November 2013 Court of Appeal has ruled against the Fund in a case filed by Sfiraiala and annulled the EGM Resolution no. 5/2010 for modifying the Constitutive Act.

These decisions are irrevocable and they were implemented by Trade Register, without any changes in the Management of the Fund considering that:

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new changes and versions of the Constitutive Act were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM, the 23 November 2012 GSM, the 25 April 2013 GSM, the 22 November 2013 GSM, 3 February 2014 GSM, 28 April 2014 GSM, 23 September 2014 GSM and 19 November 2014;
- new resolutions passed during the 25 April 2012 GSM, 23 November 2012 GSM, 25 April 2013 GSM, 22 November 2013 GSM, 3 February 2014 GSM, 28 April 2014 GSM, 23 September 2014 GSM and 19 November 2014 specifically ratified and re-approved the objects of all the resolutions to which this Court decision relates (these resolutions were proposed by a shareholder and approved with a significant majority).

Therefore, FTIML as the Fund Manager of Fondul Proprietatea is liable to observe the current Constitutive Act and the shareholders' resolutions in force, and consequently will continue to manage the Fund in accordance with these and its management agreement.

In June 2014, in another case started by the Fund against the same shareholder, the court confirmed her circumstantiated abuse of procedural rights against the Fund. Also, there are several court decisions confirming the fact that this shareholder did not prove a legitimate interest to promote certain annulment actions, and in one of these cases the decision is final – the Bucharest Court of Appeal issued the final decision in November 2014. In another file in December 2014 the Bucharest Court of Appeal issued an irrevocable decision maintaining as legal and valid the shareholders' resolutions approved by shareholders in April and November 2013 challenged initially.

The outcome of the ongoing cases cannot be determined with certainty at this stage. However, Management intends to defend the interests of the Fund and its shareholders in all these cases in accordance with the applicable laws.

2. Other contingencies of the Fund included:

i. The Fund is due to receive the following amounts from the Romanian State:

- 3% of the amounts collected in by the institutions involved in the privatisation process from each sale of shares held with Romtelecom SA, until the sale of the entire participation;
- 20% of the amounts resulting from the privatization of Romtelecom SA;
- 9.9% of the amounts resulting from the privatisation of C.E.C. SA.

These amounts should be recorded as payments for the unpaid capital or as increases of the share capital by the Romanian State once they are collected, with the approval of shareholders, according to the legislation in force.

17. CONTINGENT ASSETS AND LIABILITIES (continued)

ii. The receivables from World Trade Center Bucharest SA:

Title II, Article 4 of GEO 81/2007 stipulates the transfer from the Authority for State Assets Recovery (“AVAS”) to the Fund of receivables from World Trade Center Bucharest SA amounting to USD 68,814,198 (including the original principal and related interest and penalties) on 29 June 2007.

Until 31 December 2014, the Fund recovered from World Trade Center Bucharest SA, USD 510,131, EUR 148,701, RON 8,724,888. Given the uncertainties regarding the recoverability of the amounts due by World Trade Center Bucharest SA, the above amounts were recognised on receipt basis in the Fund’s financial statements.

In August 2013, World Trade Center Bucuresti SA filed a claim against the Fund asking to pay back the amounts received through the enforcement procedure during 2010 and 2011 (EUR 148,701, USD 10,131 and RON 8,829,663). The amounts recovered from the enforcement procedure were originally accounted for by the Fund as contributions of Ministry of Public Finance to the share capital of the Fund, decreasing the receivable related to the unpaid capital.

Consequently, these amounts are to be recovered by the Fund from the Ministry of Public Finance (being accounted for as a receivable over this shareholder of the Fund, for which an impairment adjustment was recorded), while the legal interest was recorded as an expense with provisions for litigations. The next hearing in front of Bucharest Court for this file was set for 27 February 2015.

Currently, World Trade Center Bucharest SA is the object of insolvency procedure, the next hearing being set for 25 March 2015.

By article IV of Law no. 10/2015, the Parliament decided that *“Beginning with the date when this law is in force the receivable mentioned at article 4 of Title II from Emergency Ordinance of the Government no. 81/2007 [...] will be transferred from Fondul Proprietatea to Ministry of Public Finance together with additional interests”*. As a result if this law the Fund will ask the courts to call the Ministry of Public Finance in the two files mentioned above.

3. Contingent liability: Distribution fees payable to the Fund Manager

In September 2014 the shareholders approved the execution of the Addendum no. 2 to the Management Agreement no. 45 dated 29 April 2014, signed between the Fund and FTIML (“Addendum no. 2”), referring to the distribution fees payable by the Fund to the Fund Manager in relation to the non-dividend distributions to shareholders. The Addendum no. 2 will enter into force only after FSA endorsement, and it was not approved by FSA as at 31 December 2014. However, in January 2015, the Title VII of Law no. 247/2005 governing mainly the organisation and functioning of the Fund was amended, clarifying the status of private company of the Fund, the shareholders being able to freely decide with respect to its governing and functioning. Following this change in legislation, the endorsement of the Addendum no. 2 by the FSA is expected.

According to Addendum no. 2, a distribution fee of 2% (in the period 30 September 2014 – 31 October 2015) and 1% (in the period 1 November 2015 – 30 September 2016) of the value of non-dividend distributions would be payable by the Fund to the Fund Manager. The Addendum no. 2, states that the distribution fee is payable retrospectively, starting 30 September 2014.

The contingent liability of the Fund related to the distribution fees for the period 30 September – 31 December 2014 is of RON 19.4 million.

18. SUBSEQUENT EVENTS

21 January 2015 GSM Decisions

The main decisions of the shareholders at the 21 January 2015 GSM were the following:

- The approval of the decrease of the subscribed share capital of Fondul Proprietatea from RON 11,575,064,733.65 to RON 10,965,850,800.30 through the reduction of the nominal value of the shares of the Fund from RON 0.95 to RON 0.90 and the approval of the payment to the shareholders registered with the Central Depository on 24 June 2015 of RON 0.05 per share, proportionally with their participation to the paid-up share capital of the Fund. The payment will start on 29 June 2015, provided that the decrease of the share capital mentioned above is effective by that time;
- The approval of the secondary listing of the Fund on the London Stock Exchange via GDRs or DIs by 10 July 2015.
- The ratification and the approval of all EGM resolutions and of all legal acts concluded, adopted and issued in the name of Fondul Proprietatea SA through Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, between 6 September 2010 and 20 January 2015.

Updates on the Fourth and Fifth Buy-Back Programme

On 4 February 2015, the Fund announced the completion of the 4th buy-back programme, through which the Fund acquired 990,855,616 shares of the Fund (equivalent to 8.13% of the Fund's subscribed share capital) through a tender offer for 750,000,000 shares (shares actually purchased: 749,998,142) and daily acquisitions on the Bucharest Stock Exchange. The total value of the buy-back programme was RON 1,046,128,420.15 (excluding brokerage fees and other acquisition related costs), and the weighted average price was approximately RON 1.0557 per share. The Fund Manager will request shareholders' approval for the cancellation of the shares repurchased during this buy-back programme at the next general shareholders' meeting.

The Fund Manager intends to continue with share buy-backs in accordance with the Fund's Investment Policy Statement, and started the fifth buy-back programme, approved by shareholders on 19 November 2014, on 10 February 2015.

Updates on the Shares Cancellation

The FSA, through Notice no. 25/27 January 2015, endorsed the decrease of the subscribed share capital from RON 11,815,279,886.85 to RON 11,575,064,733.65, following the cancellation of 252,858,056 treasury shares acquired by the Fund in the third buy-back programme in 2014. The share capital decrease is effective beginning with 27 January 2015. Therefore, starting with 27 January 2015, the new value of the Fund's subscribed share capital is RON 11,575,064,733.65, divided into 12,184,278,667 shares with a nominal value of RON 0.95 per share. The value of the paid-up share capital is RON 11,229,443,001.15, divided into 11,820,466,317 shares with a nominal value of RON 0.95 per share.

Updates on the change of legislation regarding the Fund's activity

On 12 January 2015, Law no. 10/2015 was published in the Part I of the Official Gazette no. 22 ("**Law 10**"). Law 10 amends, among others, Title VII of Law no. 247/2005 governing mainly the organization and functioning of the Fund ("**Fund Law**"). Law 10 will enter into force on 15 January 2015, according to Article 78 of the Constitution, and from this moment onwards the following main amendments related to the Fund are applicable, namely:

- Any inconsistencies there might have been in the past legislation regarding the right of the Fund's shareholders to freely appoint the fund manager are now clarified; the provisions of Article 12 (2) of the Fund Law, stating that the fund manager is appointed through an international tender organised by the State are repealed.
- The provisions related to the State's special treatment for its contributions to the increase of the Fund's share capital are repealed.
- The Fund's receivable against World Trade Center București S.A. is transferred back to the Ministry of Public Finance.

18. SUBSEQUENT EVENTS (continued)

Litigation regarding the shares in Conpet SA

On 19 April 2007, the Authority for State Assets Recovery (AVAS) filed an ownership claim with the 5th District First Instance Court against the Fund, the Central Depository, the FSA and Conpet SA, requesting the Court to rule upon the ownership rights of the claimant over a number of 524,366 shares in Conpet SA's share capital and to impose on the other defendants the obligation to register accordingly the shares in the shareholders' registry.

Beginning with 2007 there were several rounds of hearings and court decisions and several reorganisations, as the plaintiff in this case is in present the Department of Energy as a successor of AVAS.

On 19 March 2014 Bucharest Court ruled in favour of the Fund and rejected the request of Department of Energy. Against this decision of the Bucharest Tribunal, the Department of Energy file an appeal and on 30 January 2015 the Bucharest Court of Appeal ruled in favour of the Department of Energy obliging the Fund to transfer a number of 524,366 shares in Conpet SA's share capital to Department of Energy. The Fund can file the final appeal against the decision of Bucharest Court of Appeal within 15 days after the full decision is received from the Court.

This litigation was in progress as at 31 December 2014. This indicates that these conditions existed before the end of Fund's reporting period and meet the requirements of an adjusting event after the end of the reporting period. As a result, at 31 December 2014, the Fund recorded an impairment adjustment for the holding in Conpet SA in amount of RON 14.1 million.

Applying IFRS as basis of accounting starting 1 January 2015

In August 2014, the FSA issued Instruction no 2/ 06.08.2014, according to which, starting 1 January 2015 the entities authorised, regulated and monitored by the FSA – Financial Investments and Instruments Sector, including Fondul Proprietatea, will apply IFRS, as endorsed by European Union as basis of accounting. As a result, starting the financial year 2015, the Fund will adopt IFRS as endorsed by European Union as the statutory accounting framework.

FONDUL PROPRIETATEA S.A.

**INFORMATIVE DATA
FOR THE YEAR ENDED 31 DECEMBER 2014
FORM 30**

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

Informative Data

I. Data regarding the financial result	No Row	No of units 1	Amounts (RON) 2
Units that incurred profit	01	1	1,012,898,265
Units that incurred losses	02	-	-

II. Data regarding the overdue payments	No row B	Total Col.2+3 1	Of which:	For the current activity 2	For the investment activity 3
A					
Overdue Liabilities-total (row 05+09+15 to 19+23), of which:	04	51,540	51,540	-	-
Overdue Suppliers – total (row 06 to 08), of which:	05	51,540	51,540	-	-
- over 90 days	07	51,540	51,540	-	-

IV. Payments of interest, dividends and royalties during the reporting period. Collected subsidies and overdue receivables	No row B	Amounts
A		1
Gross dividends income paid to non-resident private individuals, of which:	34	1,523,254
- taxes owed to the state budget	35	-
Gross dividends income paid to non-resident legal entities, of which:	36	510,047
- taxes owed to the state budget	37	-
Gross dividends income paid to non-resident private individuals in European Union member states	38	195,819
- taxes owed to the state budget	39	-
Gross services income paid to non-residents, of which:	53	12,970,143
- taxes owed to the state budget	54	1,383,213
Gross services income paid to non-residents in European Union member states, of which:	55	12,938,277
- taxes owed to the state budget	56	1,383,213

This is a translation from the official Romanian version.

VIII. Other information	No row	31 December 2013	31 December 2014
A	B	1	2
Financial assets, gross values (row 75 + 84), of which:	74	13,367,556,872	12,708,817,572
Shares held in subsidiaries, investments in associates, other non-current investments and bonds, gross values (row 76 to 83), of which:	75	13,367,556,872	12,708,817,572
- listed shares issued by residents	76	7,856,448,552	7,386,580,170
- unlisted shares issued by residents	77	5,327,181,204	5,322,237,402
- shares and social parts issued by non-residents	82	183,927,116	-
Trade receivables, advances to suppliers and other similar accounts, gross values (account 4092 + 411 + 413 + 418), of which:	87	1,485	-
-trade receivables not collected in due time (from account 4092 + from account 411 + from account 413)	89	1,485	-
Receivables from social security and state budget (account 431 + 437 + 4382 + 441 + 4424 + 4428 + 444 + 445 + 446 + 447 + 4482), (row 92 to 96), of which:	91	475,225	7,518,509
- receivables from social securities (account 431 + 437 + 4382)	92	38,305	38,305
- fiscal receivables from state budget (account 441 + 4424+ 4428 + 444 + 446)	93	436,920	7,480,204
Other receivables (account 452 + 456 + 4582 + 461 + 471 + 473), of which:	99	17,239,130	2,156,778
- settlements from equity investments, settlements with shareholders/ associates related to share capital, settlements related to joint ventures (from account 452 + 456 + 4582)	100	13,828,455	-
- other receivables from private individuals and legal entities, other than receivables from public institutions, (from account 461 + from account 471 + from account 473)	101	3,410,675	2,156,778
Interests receivables (account 5187), of which:	103	88,875	145,932
- from non-residents	104	-	-
Short term investments, in gross amounts (account 501 + 503 + 505 + 506 + 507+ from the account 508) (row 107 to 115), of which:	106	213,635,521	194,588,981
- treasury bonds issued by residents	110	213,635,521	194,588,981
Petty cash in RON and foreign currency (row 118 + 119), of which:	117	186	538
- in RON (account 5311)	118	186	538
Bank accounts, in RON and foreign currency (row 121+ 123), of which:	120	237,573,429	116,157,589
- in RON (account 5121), of which	121	233,727,366	116,155,548
Bank accounts in RON opened with non-residents banks	122	-	-
- in foreign currency (account 5124)), of which	123	3,846,063	2,041
Bank accounts in foreign currency opened with non-residents banks	124	-	-

This is a translation from the official Romanian version.

VIII. Other information (continued)	No row	31 December 2013	31 December 2014
Liabilities (row 129 + 132 + 135 + 138 + 141 + 144 + 147 + 150 + 153 + 156 + 159 + 160 + 164 + 166 + 167 + 172 + 173 + 174 + 180), of which:	128	31,164,171	41,396,403
Trade payables, advances from clients and other similar accounts, gross values (account 401 + 403 + 404 + 405 + 408 + 419), of which:	164	17,189,337	19,348,098
- external trade payables, advances from foreign clients and other similar accounts, gross values (from account 401 + from account 403 + from account 404 + from account 405 + from account 408 + from account 419)	165	14,856	144,211
Liabilities to social security and state budget (account 431 + 437 + 4381 + 441 + 4423 + 4428 + 444 + 446 + 447 + 4481), (row 168 to 171), of which:	167	2,722,632	1,689,981
- liabilities regarding social securities (account 431 + 437 + 4381)	168	25,420	25,241
- fiscal liabilities to state budget (account 441 + 4423+ 4428 + 444 + 446)	169	2,697,212	1,664,740
Other liabilities (account 452 + 456 + 457 + 4581+ 462 + 472 + 473 + 269 + 509), of which:	174	11,252,202	20,358,324
- settlements from equity investments, settlements with shareholders/ associates related to share capital, settlement related to joint ventures (from account 452 + 456 + 457 + 4581)	175	11,250,020	16,890,210
- other liabilities from private individuals and legal entities, other than liabilities to public institutions, (from account 462 + from account 472 + from account 473)	176	2,182	3,468,114
Subscribed paid in share capital (account 1012), (row 183 to 186), of which:	182	13,413,137,586	11,469,658,154
- listed shares	183	13,413,137,586	11,469,658,154
Patents and licences (from account 205)	187	5,139	5,139

IX. Subscribed paid in share capital	Nr. rd.	31.12.2013		31.12.2014	
A	B	1		2	
		Amount	%	Amount	%
		(1)	(2)	(1)	(2)
Subscribed paid in share capital (account 1012) (row 189 + 192 + 196 to 198)	188	13,413,137,586	100.00%	11,469,658,153	100.00%
- share capital owned by public institutions, of which:	189	3,266,961	0.02%	4,473,771	0.04%
- public institution with Central subordination	190	3,266,961	0.02%	4,473,771	0.04%
- owned by companies with private capital	196	9,574,240,933	71.38%	8,227,502,713	71.73%
- owned by private individuals	197	3,540,182,439	26.40%	2,977,948,011	25.97%
- owned by other entities	198	295,447,253	2.20%	259,733,658	2.26%

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

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

FONDUL PROPRIETATEA S.A.

**STATEMENT OF NON-CURRENT ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2014
FORM 40**

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

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
Intangible assets						
Other assets -software	02	905,224	27,291	-	-	932,515
Advances and intangible assets in progress	03	-	363,126	-	-	363,126
Total (row 01 to 03)	04	905,224	390,417	-	-	1,295,641
Tangible assets						
Computers	07	6,608	-	-	-	6,608
Total (row 05 to 09)	10	6,608	-	-	-	6,608
Financial assets	11	13,367,556,872	12,135,292	670,874,592	-	12,708,817,572
Total non-current assets (row 4 + 10 + 11)	12	13,368,468,704	12,525,709	670,874,592	-	12,710,119,821

Statement of Amortisation and Depreciation of Non-Current Assets

Elements of non-current assets	No of row	Initial balance	Amortisation during the year	Amortisation of the assets removed from the records	Amortisation at the end of the year (col. 9 = 6+7-8)
A	B	6	7	8	9
Intangible assets					
Other assets - software	14	145,111	313,142	-	458,253
Total (row 13+14)	15	145,111	313,142	-	458,253
Tangible assets					
Computers	18	6,608	-	-	6,608
Total (row 16 to 19)	20	6,608	-	-	6,608
Total (row 15+20)	21	151,719	313,142	-	464,861

This is a translation from the official Romanian version.

Statement of Adjustments 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
Financial assets	32	2,876,927,396	1,677,115,177	920,406,966	3,633,635,607
Total impairment adjustments (row 25+31+32)	33	2,876,927,396	1,677,115,177	920,406,966	3,633,635,607

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Prepared by
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Financial Reporting Manager

Annex 2 Statement of Assets and Obligations of Fondul Proprietatea as at 31 December 2014, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)

Item	31 December 2013				31 December 2014				Differences
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
I. Total assets	100.4029%	100.0000%		15,074,232,495.90	100.4265%	100.0000%		13,293,182,958.63	(1,781,049,537.27)
1 Securities and money market instruments, out of which*:	55.4689%	55.2463%		8,327,957,037.42	49.3065%	49.0972%		6,526,570,470.26	(1,801,386,567.16)
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	54.6503%	54.4310%	-	8,205,063,268.47	49.3065%	49.0972%	-	6,526,570,470.26	(1,678,492,798.21)
1.1.1 listed shares traded in the last trading 30 days	54.0258%	53.8089%	-	8,111,288,173.86	49.0112%	48.8033%	-	6,487,488,092.22	(1,623,800,081.64)
1.1.2 listed shares not traded in the last trading 30 days	0.0667%	0.0665%	-	10,026,949.09	0.0554%	0.0551%	-	7,332,797.35	(2,694,151.74)
1.1.3 Government bonds	0.5578%	0.5556%	-	83,748,145.52	0.2399%	0.2388%	-	31,749,580.69	(51,998,564.83)
1.1.4 allotment rights not admitted at trading	-	-	-	-	-	-	-	-	-
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	0.8185%	0.8153%	EUR 27,402,896.28	122,893,768.95	-	-	-	-	(122,893,768.95)
1.2.1 listed shares traded in the last trading 30 days	0.8185%	0.8153%	EUR 27,402,896.28	122,893,768.95	-	-	-	-	(122,893,768.95)
1.2.2 listed shares not traded in the last trading 30 days	-	-	-	-	-	-	-	-	-
1.3. securities and money market instruments admitted on a stock exchange from a state not a member or negotiates on another regulated market from a state not a member, that operates on a regular basis and is recognized and opened to the public, approved by the FSA.	-	-	-	-	-	-	-	-	-
2 New issued securities	-	-	-	-	-	-	-	-	-
3 Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	42.4618%	42.2914%	-	6,375,101,372.72	48.9398%	48.7321%	-	6,478,030,691.25	102,929,318.53
- shares not admitted at trading	42.4618%	42.2914%	-	6,375,101,372.72	48.9398%	48.7321%	-	6,478,030,691.25	102,929,318.53
4 Bank deposits, out of which:	1.5459%	1.5398%	-	232,110,012.77	0.8267%	0.8232%	-	109,424,929.82	(122,685,082.95)
4.1. bank deposits made with credit institutions from Romania	1.5459%	1.5398%	-	232,110,012.77	0.8267%	0.8232%	-	109,424,929.82	(122,685,082.95)
- in lei	1.5459%	1.5398%	-	232,110,012.77	0.8267%	0.8232%	-	109,424,929.82	(122,685,082.95)
- in euro	-	-	-	-	-	-	-	-	-
4.2. bank deposits made with credit institutions from an EU state	-	-	-	-	-	-	-	-	-
4.3. bank deposits made with credit institutions from an non-EU state	-	-	-	-	-	-	-	-	-
5 Derivatives financial instruments traded on a regulated market	-	-	-	-	-	-	-	-	-
6 Current accounts and petty cash out of which:	0.0370%	0.0368%	-	5,552,476.95	0.0520%	0.0517%	-	6,879,128.79	1,326,651.84
- in lei	0.0114%	0.0113%	-	1,706,414.35	0.0520%	0.0517%	-	6,877,087.90	5,170,673.55
- in euro	0.0256%	0.0255%	EUR 857,477.41	3,845,528.95	-	-	EUR 295.30	1,323.57	(3,844,205.38)
- in USD	-	-	USD 115.92	377.33	-	-	USD 103.36	381.07	3.74
- in GBP	-	-	GBP 29.05	156.32	-	-	GBP 58.55	336.25	179.93
7 Money market instruments, others than those traded on a regulated market, according to art. 101 par. (1) letter g) of Law no. 297/2004 regarding the capital market, with subsequent additions and amendments, out of which:	0.8652%	0.8617%	-	129,887,375.20	1.2302%	1.2250%	-	162,839,401.16	32,952,025.96
- Treasury bills with original maturities of less than 1 year	0.8652%	0.8617%	-	129,887,375.20	1.2302%	1.2250%	-	162,839,401.16	32,952,025.96
8 Participation titles of UCITS and/or of OCUI (A.O.P.C./O.P.C.V.M.)	-	-	-	-	-	-	-	-	-
9 Other assets out of which:	0.0242%	0.0240%	-	3,624,220.84	0.0713%	0.0708%	-	9,438,337.35	5,814,116.51
- receivables related to transactions under settlement	0.0087%	0.0087%	EUR 290,806.08	1,304,178.03	-	-	-	-	(1,304,178.03)
- dividend withholding tax to be recovered from Austrian Tax Authorities	0.0069%	0.0069%	EUR 231,495.58	1,038,188.23	0.0078%	0.0078%	EUR 231,495.58	1,037,586.34	(601.89)
- tax on dividends to be recovered from the State Budget	-	-	-	-	0.0011%	0.0011%	-	149,764.00	149,764.00
- tax on profit to be recovered from the State Budget	0.0029%	0.0029%	-	436,920.00	0.0554%	0.0551%	-	7,330,440.00	6,893,520.00
- intangible assets	0.0051%	0.0050%	-	760,113.40	0.0063%	0.0063%	-	837,387.74	77,274.34
- other receivables	0.0003%	0.0002%	-	40,939.63	0.0003%	0.0002%	-	38,531.79	(2,407.84)
- prepaid expenses	0.0003%	0.0003%	-	43,881.55	0.0004%	0.0003%	-	44,627.48	745.93
II. Total liabilities	0.4029%	0.4012%		60,490,414.16	0.4265%	0.4249%		56,482,344.50	(4,008,069.66)
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.0897%	0.0894%	-	13,471,952.60	0.1213%	0.1208%	-	16,064,203.32	2,592,250.72
2 Liabilities related to the fees payable to the depositary bank	0.0013%	0.0012%	-	188,217.96	0.0015%	0.0015%	-	201,047.17	12,829.21
3 Liabilities related to the fees payable to intermediaries	0.0135%	0.0135%	-	2,027,851.77	-	-	-	-	(2,027,851.77)
4 Liabilities related to commissions and other bank services	-	-	-	-	-	-	-	-	-
5 Interest payable	-	-	-	-	-	-	-	-	-
6 Issuance expense	-	-	-	-	-	-	-	-	-
7 Liabilities in relation with the fees/commissions to FSA	0.0084%	0.0084%	-	1,262,976.63	0.0088%	0.0088%	-	1,164,864.63	(98,112.00)
8 Audit fees	-	-	-	-	-	-	-	-	-
9 Other Liabilities, out of which:	0.2900%	0.2887%	-	43,539,415.20	0.2949%	0.2938%	-	39,052,229.38	(4,487,185.82)
- capital return to be distributed to shareholders	-	-	-	-	0.0863%	0.0860%	-	11,434,903.60	11,434,903.60
- payable dividends	0.0749%	0.0746%	-	11,250,020.23	0.0412%	0.0410%	-	5,455,306.19	(5,794,714.04)
- tax on dividends	0.0095%	0.0094%	-	1,423,830.00	-	-	-	-	(1,423,830.00)
- provisions for risks and expenses	0.1954%	0.1945%	-	29,326,244.33	0.1139%	0.1135%	-	15,085,941.78	(14,240,302.55)
- payables related to buybacks under settlement	-	-	-	-	0.0262%	0.0261%	-	3,468,113.79	3,468,113.79
- salaries and related contributions	0.0002%	0.0002%	-	35,825.00	0.0002%	0.0002%	-	25,420.00	(10,405.00)
- VAT payable to State Budget	-	-	-	-	0.0038%	0.0038%	-	499,696.28	499,696.28
- other liabilities out of which:	0.0100%	0.0100%	-	1,503,495.64	0.0233%	0.0232%	-	3,082,847.74	1,579,352.10
- in lei	0.0099%	0.0099%	-	1,488,640.07	0.0222%	0.0221%	-	2,938,636.95	1,449,996.88
- in euro	0.0001%	0.0001%	EUR 3,312.50	14,855.57	0.0004%	0.0004%	EUR 11,499.00	51,539.67	36,684.10
- in GBP	-	-	-	-	0.0007%	0.0007%	GBP 16,136.36	92,671.12	92,671.12
III. Net Asset Value (I - II)	100.0000%	99.5988%		15,013,742,081.74	100.0000%	99.5751%		13,236,700,614.13	(1,777,041,467.61)

* = Includes also the value of holdings in companies admitted to trading on Rasdaq market

Unitary Net Asset Value

Item	31 December 2014	31 December 2013	Differences
Net Asset Value	13,236,700,614.13	15,013,742,081.74	(1,777,041,467.61)
Number of outstanding shares	10,915,975,273	12,071,882,101	(1,155,906,828)
Unitary net asset value	1.2125	1.2436	(0.0311)

Detailed Statement of Investments as at 31 December 2014

Securities admitted or traded on a regulated market in Romania, out of which:

1.1 listed shares traded in the last 30 trading days

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method*
Alcom SA	ALCQ	15/Dec/2014	89,249	2.5	49.3000	4,399,975.70	71.89%	0.0331%	0.0332%	Reference price - Average price
Alro SA	ALR	30/Dec/2014	72,884,714	0.5	1.1600	84,546,268.24	10.21%	0.6360%	0.6387%	Closing price
Banca Transilvania SA	TLV	30/Dec/2014	75,070,521	1	1.9080	143,234,554.07	2.87%	1.0775%	1.0821%	Closing price
BRD Groupe Societe Generale SA	BRD	30/Dec/2014	25,387,456	1	8.7500	222,140,240.00	3.64%	1.6711%	1.6782%	Closing price
Compel SA Ploiesti	COTE	30/Dec/2014	524,366	3.3	55.0500	28,866,348.30	6.05%	0.2172%	0.2181%	Closing price
IOR SA	IORB	14/Nov/2014	2,622,273	0.1	0.3000	786,681.90	2.81%	0.0059%	0.0059%	Reference price - Average price
Nuclearelectrica SA	SNN	30/Dec/2014	27,408,381	10	7.7400	212,140,868.94	9.72%	1.5959%	1.6027%	Closing price
Oil Terminal SA	OIL	30/Dec/2014	36,796,026	0.1	0.0893	3,285,885.12	6.31%	0.0247%	0.0248%	Closing price
OMV Petrom SA	SNP	30/Dec/2014	10,758,648,186	0.1	0.4080	4,389,528,459.89	18.99%	33.0209%	33.1618%	Closing price
Palace SA	PACY	8/Dec/2014	5,832,482	0.1	0.3800	2,216,343.16	15.42%	0.0167%	0.0167%	Reference price - Average price
Primcom SA	PRIB	30/Dec/2014	1,427,188	0.1	8.6500	12,345,176.20	68.97%	0.0929%	0.0933%	Reference price - Average price
Romaero SA	RORX	17/Dec/2014	1,311,691	2.5	16.1000	21,118,225.10	20.99%	0.1589%	0.1595%	Reference price - Average price
Societatea Nationala de Gaze Naturale Romgaz SA	SNG	30/Dec/2014	38,542,960	1	35.3600	1,362,879,065.60	10.00%	10.2525%	10.2962%	Closing price
Total						6,487,488,092.22		48.8033%	49.0112%	

* = According to the letter received from the Financial Supervision Authority in December 2013, the securities traded on Rasdaq market (part of Bucharest Stock Exchange) should be valued based on the Reference Price method as at NAV date, respectively the closing price for the securities listed on section RGBS of Rasdaq and the average price for the securities listed on sections XMBS and UNLS of Rasdaq.

1.2 listed shares but not traded in the last 30 trading days

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Comercial Cluj SA	COCL	9/Oct/2013	256,116	2.5	3.8055	974,649.44	11.36%	0.0073%	0.0074%	Shareholders equity/share
Forsev SA	FORS	26/Nov/2009	954,376	2.5	6.4104	6,117,931.91	26.50%	0.0460%	0.0462%	Shareholders equity/share
Mecon SA	MECP	1/Jul/2014	60,054	11.6	4.0000	240,216.00	12.51%	0.0018%	0.0018%	Fair value / share (last trading price)
Romplumb SA	ROMR	5/Oct/2001	1,595,520	2.5	-	-	33.26%	-	-	Priced at zero (company in insolvency)
Total						7,332,797.35		0.0551%	0.0554%	

FONDUL PROPRIETATEA S.A.
Instruments mentioned at art. 187 letter a) of the Regulation no.15/2004 out of which:
Unlisted shares

Issuer	No. of shares held	Date of acquisition*	Acquisition price (total price of acquisition of shares)	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Company status	Evaluation method
Aeroportul International Mihail Kogalniceanu - Constanta SA	23,159	19/Jul/2005	1,490,898	98.4498	2,279,998.92	20.00%	0.0172%	0.0172%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Aeroportul International Timisoara - Traian Vuia SA	32,016	19/Jul/2005	2,652,588	51.7646	1,657,295.43	20.00%	0.0125%	0.0125%	Unlisted companies, in function	Shareholders equity/share
BAT Service SA	194,022	19/Jul/2005	656,686	-	-	33.00%	-	-	Dissolution	Priced at zero
Cetatea SA	354,468	19/Jul/2005	118,840	1.0248	363,258.81	20.43%	0.0027%	0.0027%	Unlisted companies, in function	Shareholders equity/share
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	79.9682	16,246,339.51	20.00%	0.1222%	0.1227%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	128.5194	3,541,223.55	20.00%	0.0266%	0.0268%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Maritime SA	56,675	19/Jul/2005	1,706,051	-	-	7.70%	-	-	Unlisted companies, in function	Fair value/share: Nil
CN Administratia Porturilor Maritime SA	2,651,113	19/Jul/2005	65,441,294	50.0144	132,593,826.03	19.99%	0.9975%	1.0017%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
CN Aeroporturi Bucuresti SA **	2,875,443	5/Feb/2010	131,168,263	115.5599	332,285,905.54	20.00%	2.4997%	2.5103%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Complexul Energetic Oltenia SA****	27,387,940	31/May/2012	670,353,852	3.9606	108,472,675.16	21.55%	0.8160%	0.8195%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Comsig SA	75,655	19/Jul/2005	132,633	20.3356	1,538,489.82	69.94%	0.0116%	0.0116%	Unlisted companies, in function	Shareholders equity/share
E.ON Distributie Romania SA*****	56,749,014	19/Jul/2005	169,541,165	7.7790	441,450,579.91	18.34%	3.3209%	3.3350%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
E.ON Energie Romania SA	9,903,524	19/Jul/2005	45,765,358	13.5204	133,899,605.89	13.39%	1.0073%	1.0116%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Electrica Distributie Muntenia Nord SA	7,796,022	19/Jul/2005	165,221,141	30.2205	235,599,682.85	21.99%	1.7723%	1.7799%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Electrica Distributie Transilvania Nord SA	8,167,813	19/Jul/2005	113,299,904	24.6822	201,599,594.03	22.00%	1.5166%	1.5230%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Electrica Distributie Transilvania Sud SA	9,327,282	19/Jul/2005	125,918,629	22.1393	206,499,494.38	21.99%	1.5534%	1.5601%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Electrica Furnizare SA ***	1,366,412	22/Jul/2011	17,819,672	92.4816	126,367,968.02	22.00%	0.9506%	0.9547%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Electroconstructia Elco Cluj SA	322,530	19/Jul/2005	319,656	2.2248	717,564.74	7.61%	0.0054%	0.0054%	Unlisted companies, in function	Shareholders equity/share
ENEL Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	69.4627	640,490,827.98	24.12%	4.8182%	4.8387%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
ENEL Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	58.7720	396,894,780.04	24.09%	2.9857%	2.9984%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Enel Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	143.0320	465,768,832.67	12.00%	3.5038%	3.5188%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	146.7028	65,143,965.15	12.00%	0.4901%	0.4921%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
ENEL Energie SA	1,680,000	19/Jul/2005	26,124,808	44.2720	74,376,960.00	12.00%	0.5595%	0.5619%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
FECNE SA	778,442	19/Jul/2005	-	-	-	12.12%	-	-	Bankruptcy	Priced at zero
GDF Suez Energy Romania SA	2,381,863	19/Jul/2005	62,522,462	193.6807	461,320,893.14	11.99%	3.4704%	3.4852%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Gerovital Cosmetics SA	1,350,988	19/Jul/2005	340,996	-	-	9.76%	-	-	Dissolution	Priced at zero
Hidroelectrica SA	89,378,235	19/Jul/2005	3,107,667,996	24.3694	2,178,093,960.01	19.94%	16.3850%	16.4550%	Judicial reorganisation	Fair value / share (Value as per independent valuator's report)
Petrolul - Lukoil SA	2,152,291	19/Jul/2005	2,787,316	-	-	1.18%	-	-	Unlisted companies, in function	Priced at zero (negative equity)
Piafar SA	132,784	28/Jun/2007	3,160,329	13.8119	1,833,999.33	48.99%	0.0138%	0.0139%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	3.7584	55,894,725.60	25.00%	0.4205%	0.4223%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Salubriserv SA	43,263	19/Jul/2005	207,601	251.4467	10,878,338.58	17.48%	0.0818%	0.0822%	Unlisted companies, in function	Shareholders equity/share
Simtex SA	132,859	28/Jun/2007	3,059,858	-	-	30.00%	-	-	Judicial reorganisation	Priced at zero
Societatea Nationala a Sariei SA	2,005,884	28/Jun/2007	76,347,715	71.2314	142,881,925.56	48.99%	1.0749%	1.0794%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
World Trade Center Bucuresti SA	198,860	19/Jul/2005	42,459	-	-	19.90%	-	-	Insolvency	Priced at zero
World Trade Hotel SA	17,912	19/Jul/2005	17,912	-	-	19.90%	-	-	Unlisted companies, in function	Priced at zero (lack of annual financial statements for the year-ended 31 December 2013)
Zirom SA	4,735,921	28/Jun/2007	47,146,452	8.3063	39,337,980.60	100.00%	0.2959%	0.2972%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Total			5,308,016,947		6,478,030,691.25		48.7321%	48.9398%		

Legend:

* = where the date of acquisition is shown as earlier than Fondul Proprietatea's date of incorporation (28 December 2005), the date of acquisition refers to the date of publishing in the Official Gazette of Law no. 247 / 19 July 2005, which determined that these investments would be transferred to Fondul Proprietatea on its future incorporation.

** = company formed as a result of the merger between CN "Aeroportul International Henri Coanda - Bucuresti" S.A. and S.N. "Aeroportul International Bucuresti Baneasa - Aurel Vlaicu" S.A.

*** = company formed as a result of the merger between S.C. Electrica Furnizare Transilvania Nord S.A., S.C. Electrica Furnizare Transilvania Sud S.A. and S.C. Electrica Furnizare Muntenia Nord S.A.

**** = company formed as a result of the merger between S.C. Complexul Energetic Turceni S.A., S.C. Complexul Energetic Craiova S.A., S.C. Complexul Energetic Rovinari S.A., Societatea Nationala a Lignitului Oltenia S.A.

***** = on 31 Dec 2014, E.ON Moldova Distributie S.A. merged into E.ON Gaz Distributie S.A. and the name of the combined entity became E.ON Distributie Romania S.A.

Note: Uzina Mecanica Bucuresti SA was not included in Fondul Proprietatea's portfolio because Ministry of Public Finance actually did not transfer to the Fund the holding in this company.

Bonds or other debt instruments issued or guaranteed by the state or central public administration authoritiesTreasury bills with discount

Series and number of the bond	No of bonds	Date of acquisition	Maturity date	Initial value	Daily interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Intermediary Bank	Evaluation method
RO1415CTN024	2,187	7/Aug/2014	26/Jan/2015	10,842,298.35	542.11	79,148.78	10,921,447.13	0.0822%	0.0825%	BRD Groupe Societe Generale	Acquisition price cumulated with the related interest since the acquisition date
RO1415CTN057	5,000	30/Jul/2014	30/Mar/2015	24,718,687.60	1,167.27	178,592.52	24,897,280.12	0.1873%	0.1881%	Banca Comerciala Romana	
RO1415CTN073	11,866	30/Jul/2014	27/May/2015	58,498,508.44	2,762.43	428,176.71	58,926,685.16	0.4433%	0.4452%	Raiffeisen Bank	
RO1415CTN081	5,600	8/Aug/2014	9/Jun/2015	27,544,934.72	1,492.02	217,834.53	27,762,769.25	0.2088%	0.2097%	Banca Comerciala Romana	
RO1415CTN0B1	8,169	7/Aug/2014	10/Aug/2015	39,998,773.29	2,324.80	332,446.21	40,331,219.50	0.3034%	0.3047%	BRD Groupe Societe Generale	
Total							162,839,401.16	1.2250%	1.2302%		

Government bonds

Issuer	ISIN code	Date of the last trading session	No. of bonds	Date of acquisition	Coupon date	Due Date	Initial Value	Daily interest	Cumulated interest	Cumulated discount	Market price	Current value	Stake in FP total assets	Stake in FP net asset	Evaluation method
Ministry of Finance	RO1015DBN010	8/Dec/2014	3,000	7/Aug/2014	30/Apr/2014	30/Apr/2015	31,365,692.58	4,931.51	1,213,150.69	-	10,178.81	31,749,580.69	0.2388%	0.2399%	Closing price (Gross price)
Total												31,749,580.69	0.2388%	0.2399%	

Term deposits

Name of the bank	Starting date	Maturity date	Initial value	Daily Interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Unicredit Tiriac Bank	20-aug.-2014	20-feb.-2015	RON 25,000,000.00	RON 1,076.39	RON 144,236.11	RON 25,144,236.11	0.1892%	0.1900%	Term deposit value cumulated with the related interest
Banca Comerciala Romana	30-dec.-2014	5-ian.-2015	RON 68,700,000.00	RON 763.34	RON 1,526.67	RON 68,701,526.67	0.5168%	0.5190%	
BRD Groupe Societe Generale	31-dec.-2014	5-ian.-2015	RON 15,578,998.27	RON 168.77	RON 168.77	RON 15,579,167.04	0.1172%	0.1177%	
Total						109,424,929.82	0.8232%	0.8267%	

Evolution of the net asset and the net asset unitary value in the last 3 years

	Year T-1 / 31 Dec 2012	Year T/ 31 Dec 2013	Year T/ 31 December 2014
Net Asset	14,979,202,005.64	15,013,742,081.74	13,236,700,614.13
NAV/share	1.1371	1.2436	1.2125

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

BRD Groupe Societe Generale

Grzegorz Maciej Konieczny
Legal representative

Marius Nechifor
Compliance Officer

Claudia Ionescu
Director

Victor Strâmbei
Manager Depositary Department

Annex 3

FONDUL PROPRIETATEA S.A.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Prepared in accordance with International Financial Reporting Standards

(This is a translation from the official Romanian version)

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To the Shareholders and Sole Director of
Fondul Proprietatea S.A.
Bucharest, Romania

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

1. We have audited the accompanying financial statements of Fondul Proprietatea S.A. (the "Fund") which comprise the statement of financial position as of December 31, 2014, and the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

- 2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, 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.

Auditor's Responsibility

- 3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurances about 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 financial statements present fairly, in all material respects, the financial position of Fondul Proprietatea S.A. as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

- 7 We draw attention to Notes 18 (e) and 19 to the financial statements. As at December 31, 2014 the Fund has several unsettled litigations which are at different stages with the Romanian courts. Some of the legal requirements relevant to the Fund and their implementation into practice may contradict and are subject to different legal interpretations by various regulatory authorities in Romania. Therefore, any change in interpretation increases legal risks for the Fund. The ultimate outcome and related impact of these legal and regulatory risks on the financial statements is uncertain. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified in respect of these matters.

Other Matters

9. This report is made solely to the Fund's Sole Director and shareholders, as a body. Our audit work has been undertaken so that we might state to the Fund's Sole Director and 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 Fund, the Fund's Sole Director and shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

For signature, please refer to the original Romanian version.

Deloitte Audit S.R.L.
Bucharest, Romania
February 16, 2015

STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

	<i>Note</i>	Year ended 31 December 2014	Year ended 31 December 2013 As restated
Gross dividend income	7	687,411,023	652,380,173
Gain on disposal of equity investments available for sale, net	8	645,546,303	115,106,096
Interest income		20,896,979	36,143,817
		19,581,829	37,674,370
Reversal of impairment losses on receivables, net			
Net gain/ (loss) from equity instruments at fair value through profit or loss	9	(604,219,630)	422,350,522
Impairment losses on equity investments available for sale	15	(344,087,673)	(835,772,382)
Net foreign exchange gains / (losses)		(823,827)	34,102
Other income /(expenses), net		(6,072,824)	3,910,032
Net operating income		418,232,180	431,826,730
Operating expenses	10	(113,641,656)	(88,427,445)
Profit before income tax		304,590,524	343,399,285
Income tax (expense)/ benefit	11	122,595,766	(382,143,213)
Profit/ (Loss) for the period		427,186,290	(38,743,928)
Other comprehensive income			
Net change in fair value of available for sale equity investments		616,204,928	4,066,505,032
Deferred tax on other comprehensive income		7,806,738	16,887,972
Decrease in fair value reserve following the disposal of available for sale equity investments	8	(616,774,944)	(200,205,152)
Total other comprehensive income		7,236,722	3,883,187,852
Total comprehensive income for the period		434,423,012	3,844,443,924
Basic and diluted earnings per share		0.0321	(0.0028)

The financial statements were authorised for issue on 16 February 2015 by:

Grzegorz Maciej Konieczny

as Legal Representative on behalf of

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

The notes on pages 122 to 168 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

	<i>Note</i>	31 December 2014	31 December 2013	1 January 2013
			As restated	As restated
Assets				
Cash and current accounts	12	6,879,129	5,552,477	1,857,628
Deposits with banks	13	109,424,930	232,110,013	317,309,452
Treasury bills	14	162,839,401	129,887,375	454,732,857
Government bonds	14	31,749,581	83,748,146	-
Dividends receivable		-	-	799,994
Equity investments	15	12,927,656,781	14,312,229,125	11,273,299,681
Deferred tax assets	16	152,678,949	342,189	362,918,773
Other assets		9,438,338	3,624,222	2,189,053
Total assets		13,400,667,109	14,767,493,547	12,413,107,438
Liabilities				
Other liabilities	17	52,794,086	42,268,236	21,064,179
Total liabilities		52,794,086	42,268,236	21,064,179
Equity				
Share capital	18	11,815,279,887	13,778,392,208	13,778,392,208
Fair value reserve on available for sale financial assets	18	4,020,355,472	4,013,118,750	129,930,898
Other reserves	18	610,197,299	312,558,751	278,451,032
Treasury shares	18	(1,189,918,464)	(1,095,093,250)	(120,268,583)
Retained earnings		(1,908,041,171)	(2,283,751,148)	(1,674,462,296)
Total equity		13,347,873,023	14,725,225,311	12,392,043,259
Total liabilities and equity		13,400,667,109	14,767,493,547	12,413,107,438

The notes on pages 122 to 168 are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available for sale financial assets	Other reserves	Treasury shares	Retained earnings / (Accumulated losses)	Total attributable to the equity holders of the Fund
Balance at 31 December 2012, as previously reported	13,778,392,208	129,930,898	278,451,032	(120,268,583)	(1,981,186,506)	12,085,319,049
Impact of changes in accounting policies	-	-	-	-	306,724,211	306,724,211
1 January 2013, as restated	13,778,392,208	129,930,898	278,451,032	(120,268,583)	(1,674,462,295)	12,392,043,260
Comprehensive income for the period						
Profit/ (Loss) for the period	-	-	-	-	(38,743,928)	(38,743,928)
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	4,066,505,032	-	-	-	4,066,505,032
Decrease in fair value following the disposal of available for sale equity investments	-	(200,205,152)	-	-	-	(200,205,152)
Deferred tax on income and expense recognised directly in equity	-	16,887,972	-	-	-	16,887,972
Total other comprehensive income	-	3,883,187,852	-	-	-	3,883,187,852
Total comprehensive income for the period	-	3,883,187,852	-	-	(38,743,928)	3,844,443,924
Transactions with owners, recorded directly in equity						
Transfer to other reserves	-	-	34,107,719	-	(34,107,719)	-
Acquisition of treasury shares	-	-	-	(974,824,667)	-	(974,824,667)
Dividends declared	-	-	-	-	(536,437,206)	(536,437,206)
Total transactions with owners recorded directly in equity	-	-	34,107,719	(974,824,667)	(570,544,925)	(1,511,261,873)
Balance at 31 December 2013, as restated	13,778,392,208	4,013,118,750	312,558,751	(1,095,093,250)	(2,283,751,148)	14,725,225,311

The notes on pages 122 to 168 are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available for sale financial assets	Other reserves	Treasury shares	Retained earnings / (Accumulated losses)	Total attributable to the equity holders of the Fund
Balance at 31 December 2013, as restated	13,778,392,208	4,013,118,750	312,558,751	(1,095,093,250)	(2,283,751,148)	14,725,225,311
Comprehensive income for the period						
Profit/ (Loss) for the period	-	-	-	-	427,186,290	427,186,290
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	616,204,928	-	-	-	616,204,928
Decrease in fair value following the disposal of available for sale equity investments	-	(616,774,944)	-	-	-	(616,774,944)
Deferred tax on income and expense recognised directly in equity	-	7,806,738	-	-	-	7,806,738
Total other comprehensive income	-	7,236,722	-	-	-	7,236,722
Total comprehensive income for the period	-	7,236,722	-	-	427,186,290	434,423,012
Transactions with owners, recorded directly in equity						
Decrease of the nominal value of the shares (note 18)	(676,904,370)	-	-	57,379,239	-	(619,525,131)
Transfer to other reserves			51,476,313		(51,476,313)	-
Acquisition of treasury shares	-	-	-	(1,192,250,169)	-	(1,192,250,169)
Cancellation of treasury shares	(1,286,207,951)	-	246,162,235	1,040,045,716	-	-
Total transactions with owners recorded directly in equity	(1,963,112,321)	-	297,638,548	(94,825,214)	(51,476,313)	(1,811,775,300)
Balance at 31 December 2014	11,815,279,887	4,020,355,472	610,197,299	(1,189,918,464)	(1,908,041,171)	13,347,873,023

The notes on pages 122 to 168 are an integral part of these financial statements.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

	Year ended 31 December 2014	Year ended 31 December 2013
Cash flows from operating activities		
Proceeds from sale of equity instruments	1,080,212,251	570,774,069
Acquisitions of treasury bills and bonds	(1,361,207,874)	(1,037,189,824)
Disposals and maturity of treasury bills and bonds	1,375,943,403	1,283,136,960
Dividends received (net of withholding tax)	682,066,477	696,286,935
Interest received	20,084,897	33,209,977
Suppliers and other taxes and fees paid	(109,633,840)	(78,792,523)
Creation of bank deposits with original maturities of more than three months	(25,000,000)	-
Income tax paid	(23,521,512)	-
Remunerations and related taxes paid	(1,130,718)	(968,578)
Realised foreign exchange gain / (loss) on cash and cash equivalents	(961,424)	3,330
Subscriptions to share capital increase of portfolio companies	-	(42,713,841)
Other receipts, net	1,301,247	1,439,583
Net cash flows from operating activities	1,638,152,907	1,425,186,088
Cash flows from financing activities		
Return of capital to shareholders	(589,890,948)	-
Acquisition of treasury shares	(1,188,701,549)	(974,824,667)
Dividends paid (including related taxes)	(5,975,898)	(530,673,777)
Net cash flows used in financing activities	(1,784,568,395)	(1,505,498,444)
Net decrease in cash and cash equivalents	(146,415,488)	(80,312,356)
Cash and cash equivalents at the beginning of the period	237,573,615	317,885,971
Cash and cash equivalents at the end of the period	91,158,127	237,573,615
	31 December 2014	31 December 2013
Cash	6,879,129	5,552,477
Bank deposits with original maturities of less than three months	84,278,998	232,021,138
	91,158,127	237,573,615

The notes on pages 122 to 168 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (all amounts are in RON unless otherwise stated)

1. General information

Fondul Proprietatea SA (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 regarding the reform in property and justice, as well as certain adjacent measure, as subsequently amended (“Law 247/2005”) and registered in Bucharest on 28 December 2005. The address of the Fund’s registered office is 78 - 80, Buzești Street, 7th Floor, District 1, Bucharest.

The Fund undertakes its activities in accordance with Law 247/2005, Law 297/2004 regarding the capital market, with subsequent amendments (“Law 297/2004”), and Law 31/1990 regarding companies, republished with subsequent amendments (“Law 31/1990”) and it is an entity regulated and monitored by the Financial Supervisory Authority (“FSA”), former National Securities Commission (“CNVM”).

In accordance with its Constitutive Act, the main activity of the Fund is the management and administration of its portfolio.

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

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch (“Fund Manager” or “FTIML”) was appointed on 29 September 2010 as the Fund Manager and Sole Director of the Fund and the mandate was renewed on 30 September 2014 for two years.

Starting 25 January 2011, Fondul Proprietatea is a listed company on the spot regulated market managed by the Bucharest Stock Exchange in Tier I shares of the Equity Sector of the market (renamed starting 5 January 2015 as Premium Tier shares), under ISIN number ROFPTAACNOR5 with the market symbol “FP”.

2. Basis of preparation

(a) Statement of compliance

These financial statements are the annual financial statements of Fondul Proprietatea prepared for the year ended 31 December 2014 in accordance with the International Financial Reporting Standards as adopted by European Union (“IFRS”).

The purpose of the preparation of these financial statements in Romania is to comply with CNVM Instruction 6/2011 regarding the application of the International Financial Reporting Standards by the entities regulated and monitored by CNVM, as subsequently amended (“Instruction 6/2011”). According to the article 2 of the Instruction 6/2011, effective from 1 February 2012, the Fund has been required to prepare its separate IFRS financial statements. This regulation is transposing certain articles of Regulation (EC) 1606/2002 of the European Parliament and of the Council from 19 July 2002 on the application of International Financial Reporting Standards.

Due to the application of the Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities), being an investment entity, the Fund shall not consolidate its subsidiaries starting 1 January 2014. In consequence, the Fund will no longer prepare financial statements on consolidated basis effective for the year ended 31 December 2014, the separate financial statements being Fund’s only financial statements.

(b) Basis of measurement

These financial statements have been prepared on the fair value basis for the main part of the Fund’s assets, respectively equity investments, treasury bills and short-term government bonds, and on historical cost basis for the rest of the items included in the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Romanian Lei (RON), which is the Fund’s functional currency. All financial information presented in RON has been rounded to the nearest unit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (all amounts are in RON unless otherwise stated)

2. Basis of preparation (continued)

(d) Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant impact on the amounts recognised in the financial statements is included in the following notes:

- Note 5 – Financial risk management;
- Note 10 – Operating expenses;
- Note 15 – Equity investments;
- Note 16 – Deferred tax assets;
- Note 17 – Other liabilities;
- Note 19 – Contingencies.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, with the exceptions stated in note 4.

In addition, the Fund reclassified certain items in the Statement of comprehensive income and Statement of cash flows for the year ended 31 December 2013 in order to be consistent with current period presentation.

Application of Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)

The Fund applied the *Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)* (the “Amendments”), starting 1 January 2014 when these Amendments became effective, after their adoption by the European Union.

After analysing the criteria presented in the Amendments, the management concluded that Fondul Proprietatea meets the definition of an investment entity. As a result, the Fund changed its accounting policies for investments in subsidiaries and associates, measuring them at fair value through profit or loss.

Please see note 4 for a detailed presentation of the changes in accounting policies.

(a) Subsidiaries and associates

Subsidiaries are entities controlled by the Fund. The Fund controls an investee when the Fund is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Associates are those entities in which the Fund has significant influence over the financial and operating policies, but not control or joint control. The existence of significant influence is determined, in each reporting period, by analysing the ownership structure of the companies in which the Fund holds 20% 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.

However in situations where the Fund holds less than 20% of the voting power of an investee, it is a significant shareholder and demonstrates that it has significant influence through Board representation and participates in the policy making decisions, this investee is considered an associate.

The Fund does not exercise significant influence in a number of companies in which it holds between 20% and 50% of the voting power, where the Fund’s rights as minority shareholder are protective in nature, and not participative and where the major shareholder, or a group of shareholders holding majority ownership of the investee, operate without regard to the views of the Fund.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(a) Subsidiaries and associates (continued)**

As at 31 December 2014, the Fund had three portfolio companies which met these criteria for classification as associates (as at 31 December 2013: one portfolio company). The lists of subsidiaries and associates as at 31 December 2014 and 31 December 2013 are disclosed in note 20 (b) and (c).

Please see note 4 for a detailed presentation of the application of the Amendments.

(b) Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Fund at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

The exchange rates of the main foreign currencies, published by the National Bank of Romania at 31 December 2014 were as follows: 4.4821 RON/EUR, 3.6868 RON/USD and 5.7430 RON/GBP (31 December 2013: 4.4847 RON/EUR, 3.2551 RON/USD and 5.3812 RON/GBP).

(c) Financial assets and liabilities*(i) Recognition*

The Fund recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value plus, in case of financial assets and financial liabilities not measured at fair value through profit or loss, any directly attributable transaction costs (including brokerage fees), except for the investments in equity securities whose fair value cannot be reliably measured, which are recognised initially at cost.

Mergers of portfolio companies are recognised at the date when the merger is registered at the Trade Register.

The bonus shares received by the Fund from portfolio companies that increased their share capital through incorporation of reserves are not recognised.

(ii) Classification

See accounting policies 3(d), (e), (f), (g) and (h).

(iii) 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.

Gains or losses arising from derecognition of equity investments are calculated as the difference between proceeds on disposal of the financial asset and its fair value at the beginning of the reporting period, and are recorded in profit or loss.

The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(c) Financial assets and liabilities (continued)***(iv) Offsetting*

Financial assets and liabilities are offset and the net amount is presented in the Statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence, the most advantageous market to which the Fund has access at that date.

When available, the Fund measures the fair value of an equity instrument using quoted prices in an active market for that instrument at the reporting date. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair values of equity instruments that are not traded in an active market are determined by independent valuers, using valuation techniques (for the main part of the portfolio).

The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used are generally recognised as standard within the industry and include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation techniques commonly used by market participants, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Some of the inputs to these models may not be observable in the market and are therefore estimated based on various assumptions.

The valuation techniques selected incorporate all the factors that market participants would take into account in pricing a transaction. The valuation reports were prepared as at 30 September 2014 (for 2013: as at 30 September 2013), based on financial information available for the companies under valuation as at the respective dates.

The Fund is also analysing available financial information from the portfolio companies, for the period between the date of the financial information used for the valuation reports until the end of the reporting period. If any significant change which may impact the fair values becomes available, the Fund requests the independent valuer to adjust the valuation so that the financial assets are reflected in the financial statements at their fair value as at the reporting date.

The output of a valuation model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Therefore, where appropriate, the valuations are adjusted to allow for additional factors including model risk, liquidity risk and counterparty risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(c) Financial assets and liabilities (continued)***(vi) Fair value measurement (continued)*

The Fund presents the transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

(vii) Identification and measurement of impairment

At each reporting date, the Fund assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Financial assets carried at amortised cost

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against the financial assets. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available for sale financial assets – equity investments

Impairment losses on available for sale equity investments carried at fair value are recognised by transferring the cumulative loss that has been recognised directly in equity (other comprehensive income) to profit or loss. The cumulative loss removed from equity (other comprehensive income) and recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If, in a subsequent period, the fair value of an impaired equity investment increases, the recovery is recognised in equity (other comprehensive income).

For assessing which equity investments are impaired, the Fund considers all relevant factors, such as: significant or prolonged decline in fair value below cost, market and industry conditions, to the extent that they influence the recoverable amount of the investment, financial conditions and near-term prospects of the issuer, any specific adverse events that may influence the issuer's operations, recent losses of the issuer, qualified independent auditor's report on the issuer's most recent financial statements, etc.

(d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are recorded in the profit or loss. Subsequent measurement is at fair value and all changes in fair value are accounted through profit or loss. Financial assets at fair value through profit or loss are not subject to the review for impairment.

As a result of the application of the Amendments, starting 1 January 2014, the Fund changed its accounting policies for its investments in subsidiaries and associates, measuring them at fair value through profit or loss.

In this respect, the Fund retrospectively adjusted both the period that immediately precedes the date of initial application (year ended 31 December 2013) and the Statement of financial position at the beginning of the immediately preceding period (1 January 2013) for the difference between the previous carrying value and the fair value of these equity investments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)

(e) Held to maturity financial assets

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or as available for sale.

Held to maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a more than insignificant amount of held to maturity investments not close to their maturity would result in the reclassification of all held to maturity investments as available for sale, and prevent the Fund from classifying investment securities as held to maturity for the current and the following two financial years.

The Fund did not classify any investments as held to maturity as at 31 December 2014 and 31 December 2013.

(f) Available for sale financial assets

The Fund's investments in treasury bills, government bonds and in equity securities (other than subsidiaries and associates) are classified as available for sale financial assets. The inventory relief method used for the disposal of treasury bills and government bonds is "first-in first-out" (FIFO) method.

Equity investments

Starting 2014, subsequent to initial recognition, equity investments available for sale are measured either at fair value (the main part of the portfolio) or at values considered to be equivalent to fair values, being the values used in the calculation of the net asset value of the Fund, determined in accordance to the regulations issued by the FSA/CNVM and reported monthly (only for an insignificant part of the portfolio). Changes therein, other than impairment losses, are recognised directly in equity (other comprehensive income).

Investments in equity securities that do not have a quoted market price in an active market, and whose fair value were not available, are measured to the values used in the calculation of the net asset value of the Fund, determined in accordance to the regulations issued by the FSA/CNVM and reported on monthly basis. They are estimated as follows:

- fair values internally assessed using assumptions that are based on market conditions existing at each reporting date;
- using the shareholders' equity as per the most recently available annual financial statements of the issuers (adjusted with the dividends declared by that issuer, if the case) proportionally with the stake held by the Fund;
- valued at zero, for holdings in companies in liquidation, dissolution, bankruptcy or with negative shareholders' equity; companies in insolvency or reorganisation are valued either at zero or at the value provided by an independent valuer.

Before 1 January 2014, equity instruments that were not traded in an active market (including certain equity investments listed on the Bucharest Stock Exchange not actively traded) and that were not assessed by independent valuers, using valuation techniques, for which fair values were not available as at that dates, were carried at cost less impairment.

When an equity investment is derecognised, the cumulative gain or loss previously recognised in equity (other comprehensive income) is transferred to profit or loss.

The equity investments in associates and subsidiaries previously classified under this category were classified as equity investments at fair value through profit or loss as a result of the application of the Amendments in both current and restated periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(g) Cash and deposits with banks**

Cash includes petty cash and current accounts held with banks.

Deposits with banks include deposits with original maturities of less than three months and deposits with original maturities of more than three months and less than one year.

Cash and deposits with banks are carried at amortised cost.

Deposits with banks with original maturities of less than three months are included as a component of cash and cash equivalents for the purpose of the Statement of cash flows.

(h) Other financial assets and liabilities

Other financial assets and liabilities are measured at amortised cost using the effective interest method, less any impairment losses (in case of financial assets).

(i) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment losses and are amortised on a straight-line basis over the useful life of three years. The Fund intangible assets consist of computer software licenses and software development and implementation costs.

Cost includes the expenditure that is directly attributable to the acquisition of the asset.

Amortisation method, useful lives and residual values are reviewed at each reporting date.

(j) Impairment of non-financial assets

The carrying amounts of the Fund's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

(l) Provisions

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(m) Dividend income**

Dividend income related to listed equity investments is recognised in profit or loss on the ex-dividend date. Dividend distributions from unlisted equity investments are recognised in profit or loss as dividend income when declared.

When the Fund receives or chooses to receive dividends in the form of additional shares rather than cash, the dividend income is recognised for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

When bonus shares are received with no cash alternative and if only certain shareholders are granted additional shares, these are measured at fair value and a corresponding amount of dividend income is recognised. However, if all shareholders receive bonus shares in proportion to their shareholdings, no dividend income is recognised as the fair value of the Fund's interest should be unaffected by the bonus issue.

The Fund recognises dividends from subsidiaries and associates as income in its financial statements when its right to receive the dividend is established.

For late dividend payments, the Fund initiates legal recovery measures (conciliation, litigations etc.). The Fund is entitled to charge penalties for overdue amounts from net dividends, applying the legal penalty interest rate according to the legislation in force. Penalty income on dividends is recognised when collection is virtually certain.

Dividend income is presented gross of dividend withholding taxes, which are separately recognised as income tax expense.

(n) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Interest income relates to current accounts, deposits held with banks, treasury bills and government bonds.

(o) Income from sale of securities

Gains or losses from the disposal of the financial assets are recognised in profit or loss at the date of derecognising of the financial assets. When an available for sale equity investment carried at fair value is derecognised, on sale or other disposal, or is impaired, the cumulative fair value changes previously recognised in equity (other comprehensive income) are reclassified to profit or loss as a reclassification adjustment.

(p) Foreign currency gains and losses

Foreign currency gains and losses are reported on a net basis and include realised and unrealised foreign exchange differences.

(q) Expenses

All expenses are recognised in profit or loss on an accrual basis.

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax includes also dividend withholding taxes.

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity (other comprehensive income), in which case it is recognised in equity (other comprehensive income).

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(r) Income tax (continued)**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that are enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, which intend to settle current tax liabilities and assets on a net basis or whose tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously recognised directly in equity (other comprehensive income), which are recognised in equity (other comprehensive income).

The applicable tax rate is 16% (standard tax rate and also, the dividend withholding tax).

(s) Board members' benefits

The Fund has no employees, but from the benefits point of view, the members of the Board of Nominees and the special administrator appointed in portfolio companies in insolvency have the same legal treatment as employees, even if they have mandate agreements (no labour agreements). During the normal course of business, the Fund makes payments due to the state health, pensions and unemployment funds related to the members of the Board of Nominees and for the special administrator appointed in portfolio companies in accordance with the regulations in force. All members of the Board of Nominees and the special administrator appointed in portfolio companies are members of the pension plan of the Romanian State. Such costs are recognised in profit or loss together with the recognition of the remunerations. The Fund does not operate any other pensions plan or post-retirement benefits plan and therefore has no obligations regarding pensions.

(t) Treasury shares

The Fund recognises the treasury shares (repurchases of own shares) at the date when the transaction is recorded at the exchange where shares are traded (trade date); treasury shares are recorded at acquisition cost, including brokerage fees and other costs directly related to the acquisition.

(u) Dividend payable

Dividends declared by the Fund are recorded as dividend payable when the Fund's General Shareholders Meeting approves them, as the Fund is then legally obliged to pay them.

According to the provisions of the legislation in force, the Fund is allowed to cancel the rights of shareholders to collect any dividends which have remained unclaimed at least 3 years after the date when the respective dividend distribution commenced. Upon cancellation, the Fund records the value of these dividends as income in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)

(v) Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards issued by the International Accounting Standards Board and adopted by the European Union are effective for the current period:

- IFRS 10 “Consolidated Financial Statements”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IFRS 11 “Joint Arrangements”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IFRS 12 “Disclosures of Interests in Other Entities”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IAS 27 (revised in 2011) “Separate Financial Statements”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements” – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 32 “Financial instruments: presentation” – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 36 “Impairment of assets” - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The adoption of these amendments to the existing standards, except for IAS 27, IAS 36, IAS 39 and Amendments to IFRS 10, will not lead to any changes in the Fund’s accounting policies.

(w) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015);
- Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015);
- Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- IFRIC 21 “Levies” adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The Fund anticipates that the adoption of these standards, revisions and interpretations, except for IFRS 13, will have no material impact on its financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)

(x) Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed as at the date of authorisation of these financial statements:

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2018);
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016);
- IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016);
- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Fund anticipates that the adoption of these standards, amendments to the existing standards and interpretations, except for IFRS 9, will have no material impact on its financial statements in the period of initial application.

The IASB also provided entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply the existing hedge accounting requirements in IAS 39 “Financial Instruments: Recognition and Measurement” for all hedge accounting. Currently, the Fund does not use any hedging instruments. In consequence according to the Fund’s estimates, a change in application of hedge accounting for the portfolio of financial assets or liabilities from IAS 39 to IFRS 9, would not significantly impact the financial statements, if applied as at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

4. Changes in accounting policies

The Fund applied the Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities), starting 1 January 2014 when these Amendments became effective, after their adoption by the European Union.

After analysing the criteria presented in the Amendments, the management concluded that Fondul Proprietatea meets the definition of an investment entity. As a result, the Fund changed its accounting policies for investments in subsidiaries and associates, measuring them at fair value through profit or loss.

The Amendments introduced an exception to the principle in *IFRS 10 Consolidated Financial Statements*, that all subsidiaries shall be consolidated. Being an investment entity, the Fund is required, throughout the current period and all comparative periods presented, to apply the exception to consolidation for all of its subsidiaries in accordance with IFRS 10, and it will present the separate financial statements as its only financial statements.

The Amendments define an investment entity and require a parent that is an investment entity to measure its investments in subsidiaries at fair value through profit or loss instead of consolidating those subsidiaries in its consolidated financial statements.

Before adoption of the Amendments, given the materiality consideration (the effect of their consolidation to the Fund was considered immaterial), investments in subsidiaries of the Fund were accounted for in accordance with *IAS 39 Financial Instruments: Recognition and Measurement* ("IAS 39") as available for sale financial assets, in both consolidated and separate financial statements, with changes in fair value recorded in equity (other comprehensive income).

Before adoption of the Amendments, the Fund accounted for the investments in associates using equity method in the consolidated financial statements. In the separate financial statements, the investments in associates were accounted for in accordance with IAS 39 as available for sale financial assets, with changes in fair value recorded in equity (other comprehensive income).

All the other equity investments of the Fund remained classified as in previous years, as available for sale financial assets. Where available, equity investments were measured at their fair values.

As at 31 December 2014, all Fund's equity investments were carried at fair value.

Restatement of comparative information

In accordance with the transitional provisions of the Amendments, the Fund has applied the new accounting policies retrospectively and restated the comparative information.

In this respect, the Fund retrospectively adjusted both the period that immediately precedes the date of initial application (year ended 31 December 2013) and the statement of financial position at the beginning of the immediately preceding period (1 January 2013) for the difference between the previous carrying value and the current fair value of the equity investments for which the change in accounting policies mentioned before applies.

The cumulative amount of fair value adjustments previously recognised in equity (other comprehensive income) for the equity investments reclassified at fair value through profit or loss was transferred to retained earnings at the beginning of the immediately preceding period (1 January 2013).

The tables below present, in respect of the period immediately preceding the date of initial application of the Amendments, the resulting changes for each financial statement line affected.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)
4. Changes in accounting policies (continued)
Statement of financial position

	31 December 2013		31 December 2013
	As restated	Adjustments	As previously reported
Assets			
Cash and current accounts	5,552,477		5,552,477
Deposits with banks	232,110,013		232,110,013
Treasury bills	129,887,375		129,887,375
Government bonds	83,748,146		83,748,146
Equity instruments	14,312,229,125	5,058,611,960	9,253,617,165
Investment in associate	-	(5,059,270,088)	5,059,270,088
Deferred tax assets	342,189		342,189
Other assets	3,624,222		3,624,222
Total assets	14,767,493,547	(658,128)	14,768,151,675
Liabilities			
Other liabilities	42,268,236		42,268,236
Total liabilities	42,268,236	-	42,268,236
Equity			
Share capital	13,778,392,208		13,778,392,208
Fair value reserve on available for sale financial assets	4,013,118,750	(29,665,250)	4,042,784,000
Other reserves	312,558,751		312,558,751
Treasury shares	(1,095,093,250)		(1,095,093,250)
Accumulated losses	(2,283,751,148)	29,007,122	(2,312,758,270)
Total equity	14,725,225,311	(658,128)	14,725,883,439
Total liabilities and equity	14,767,493,547	(658,128)	14,768,151,675

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

4. Changes in accounting policies (continued)

Statement of comprehensive income

	Year ended 31 December 2013 As restated	Adjustments	Reclassifications	Year ended 31 December 2013 As previously reported
Net gain from equity instruments at fair value through profit or loss	422,350,522	422,350,522	-	-
Gain on disposal of equity investments available for sale	115,106,096	(1,827,208)	(991,122)	117,924,426
Gross dividend income	652,380,173	318,951,645		333,428,528
Reversal of impairment losses on receivable, net	37,674,370		37,674,370	-
Interest income	36,143,817			36,143,817
Net foreign exchange gains	34,102			34,102
Impairment losses on equity investments available for sale	(835,772,382)			(835,772,382)
Reversal of impairment losses/ (impairment losses) on dividends receivable, net	-		(46,907,126)	46,907,126
Reversal of impairment losses/ (impairment losses) on receivables in respect of equity contributions, net	-		9,038,221	(9,038,221)
Impairment losses on other assets	-		194,535	(194,535)
Other income, net	3,910,032		779,514	3,130,519
Share of profit in associates (net of income tax)	-	(916,085,196)		916,085,196
Net operating income	431,826,730	(176,610,237)	(211,608)	608,648,576
Personnel expenses	-		947,635	(947,635)
Operating expenses	(88,427,445)		(736,027)	(87,691,418)
Operating expenses	(88,427,445)	-	211,608	(88,639,053)
Profit before income tax	343,399,285	(176,610,237)	-	520,009,523
Income tax expense	(382,143,213)	(101,423,029)		(280,720,184)
Profit/(Loss) of the period	(38,743,928)	(278,033,266)	-	239,289,339
Other comprehensive income				
Net change in fair value of available for sale equity investments	4,066,505,032	2,367,574		4,064,137,458
Deferred tax on other comprehensive income	16,887,972	-		16,887,972
Decrease in fair value reserve following the disposal of available for sale equity investments	(200,205,152)			(168,172,328)
Total other comprehensive income	3,883,187,852	2,367,574	-	3,912,853,102
Total comprehensive income for the period	3,844,443,924	(275,665,692)	-	4,152,142,441
Basic and diluted earnings per share	(0.0028)			0.0174

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (all amounts are in RON unless otherwise stated)

5. Financial risk management

The Fund's investment portfolio comprises listed and unlisted equity investments.

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and with the markets in which it invests. The most important types of financial risks to which the Fund is exposed are market risk, credit risk and liquidity risk.

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

(a) Market risk

Market risk is the risk that changes in market prices and rates, such as equity prices, interest rates and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to its issuer or factors affecting all instruments traded in the market.

Equity price risk arises from changes in the value of equity securities and is the primary risk impacting the Fund. Diversification across securities and industries, to the extent possible given the unique investment mandate, is the primary technique for mitigating equity price risk. The companies in which the Fund holds equity securities operate in different industries. The Fund has concentrated exposures to the "Oil and gas", "Power and gas utilities industries: transport, distribution and supply" and "Power utilities: generation" sectors.

The Fund's exposure to industries was as follows:

	31 December 2014	31 December 2013
Oil and gas	5,755,693,411	7,151,416,711
Power and gas utilities: transport, distribution, supply	3,449,421,000	3,259,422,077
Power utilities: generation	2,498,708,869	2,733,504,783
Infrastructure	488,604,858	361,491,795
Banks	365,374,794	458,174,184
Heavy industry	203,995,225	147,808,896
Aluminium	84,546,268	105,464,181
Postal services	55,896,000	60,790,000
Others	25,416,356	34,156,498
	12,927,656,781	14,312,229,125

The Fund has equity investments of RON 6,417,755,342 at 31 December 2014 (31 December 2013: RON 8,178,000,261) listed on the Bucharest Stock Exchange (at either BSE or RASDAQ segment) or Vienna Stock Exchange. During 2014 the Fund disposed of the entire holdings in equity investments listed on Vienna Stock Exchange.

As at 31 December 2014, for such investments, a ten per cent increase in the BET-BK index at the reporting date would have increased equity by RON 599,484,456 (31 December 2013, computed based on BET-C, respectively ATX index: RON 864,618,657) out of which impact on other comprehensive income of RON 167,993,808 (31 December 2013: RON 228,773,512) and impact on profit or loss account of RON 431,490,648 (31 December 2013: RON 635,845,145).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

5. Financial risk management (continued)**(a) Market risk (continued)***(i) Equity price risk (continued)*

An equal change in the opposite direction as at 31 December 2014 would have decreased equity by RON 599,484,456 (31 December 2013, computed based on BET-C, respectively ATX index: RON 864,618,657) out of which impact on other comprehensive income of RON 167,993,808 (31 December 2013: RON 228,773,512) and impact on profit or loss account of RON 431,490,648 (31 December 2013: RON 635,845,145).

This analysis assumes that all other variables remain constant.

(ii) Interest rate risk

The Fund places cash into fixed rate bank deposits, treasury bills and short-term government securities with original maturities of up to one year.

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

Fixed rate instruments	31 December 2014	31 December 2013
Bank deposits with original maturities of more than three months and less than one year	25,000,000	-
Bank deposits with original maturities of less than three months	84,278,998	232,021,138
Treasury bills	161,603,202	128,173,052
Government bonds	30,536,430	80,470,607
	301,418,630	440,664,797

(iii) Currency risk

Fund's exposure to currency risk is insignificant. The Fund held current accounts with banks and receivables and payables denominated in foreign currencies, (EUR, USD or GBP), but the balances were immaterial during the reporting period.

The local currency slightly appreciated compared to the EUR during 2014 (from 4.4847 RON/EUR at 31 December 2013 to 4.4821 RON/EUR at 31 December 2014), but depreciated compared to the USD (from 3.2551 RON/USD at 31 December 2013 to 3.6868 RON/USD at 31 December 2014) and to GBP (from 5.3812 RON/GBP at 31 December 2013 to 5.7430 RON/GBP at 31 December 2014).

The Fund's exposure to currency risk was as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)
5. Financial risk management (continued)
(a) Market risk (continued)
(iii) Currency risk (continued)

	31 December 2014	31 December 2013
RON		
Monetary assets		
Petty cash	538	186
Current accounts with banks	6,876,550	1,706,229
Bank deposits with original maturities of more than three months and less than one year	25,000,000	-
Bank deposits with original maturities of less than three months	84,278,998	232,021,138
Interest accrued on bank deposits	145,932	88,875
Treasury bills	162,839,401	129,887,375
Government bonds	31,749,581	83,748,146
Other receivables	8,400,752	1,281,855
	319,291,752	448,733,804
Monetary liabilities		
Other liabilities	(52,649,875)	(42,253,379)
	(52,649,875)	(42,253,379)
	266,641,877	406,480,425
	31 December 2014	31 December 2013
EUR (in RON equivalent)		
Monetary assets		
Current accounts with banks	1,324	3,845,529
Other receivables	1,037,586	2,342,366
	1,038,910	6,187,895
Monetary liabilities		
Other liabilities	(51,540)	(14,856)
	(51,540)	(14,856)
	987,370	6,173,039

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)
5. Financial risk management (continued)
(a) Market risk (continued)
(iii) Currency risk (continued)

	31 December 2014	31 December 2013
USD (in RON equivalent)		
Monetary assets		
Current accounts with banks	381	377
GBP (in RON equivalent)		
Monetary assets		
Current accounts with banks	336	156
Monetary liabilities		
Other liabilities	(92,671)	-
	(92,671)	-
	(92,335)	156

A ten percent strengthening of the RON against the EUR, USD and GBP respectively as at 31 December 2014 and 31 December 2013 would have the following impact in profit or loss (the analysis assumes that all other variables remain constant):

Profit or loss	31 December 2014	31 December 2013
EUR	(98,737)	(617,304)
USD	(38)	(38)
GBP	9,234	(16)

As at 31 December 2014, the Fund did not hold any equity investment denominated in other currency than RON.

As at 31 December 2013, the Fund held equity investments denominated in EUR with a fair value of EUR 27,402,896 equivalent of RON 122,893,769.

(b) 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, government bonds and dividends receivable. The Fund's maximum exposure to credit risk from cash and deposits with banks was RON 116,303,521 at 31 December 2014 (31 December 2013: RON 237,662,304). Cash and deposits are held with the following banks:

	31 December 2014	31 December 2013
Cash and deposits held with		
BCR	68,759,620	58,733
Unicredit Tiriac Bank	25,144,609	75,057,641
BRD - Groupe Societe Generale	22,396,694	29,511,355
ING Bank	1,834	75,029,849
CITI Bank	394	58,003,992
Raiffeisen Bank	370	427
RBS Bank*	-	306
	116,303,521	237,662,304

*in 2014, the corporate clients' portfolio of RBS Bank was taken over by Unicredit Tiriac Bank

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (all amounts are in RON unless otherwise stated)

5. Financial risk management (continued)

(b) Credit risk (continued)

(i) Cash and deposits with banks

Current accounts and deposits are held with banks in Romania. The Fund Manager implemented a formal policy regarding bank counterparty risks and limits. The Fund only establishes new deposits with financial institutions where the institution or the institution's corporate parent, have a credit rating 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.

(ii) Treasury bills

The Fund's maximum exposure to credit risk from treasury bills was RON 162,839,401 as at 31 December 2014 (31 December 2013: RON 129,887,375).

As of 31 December 2014, the Fund held the following treasury bills with discount, RON denominated:

ISIN	Value as at 31 December 2014	Settlement Date	No. of units	Interest rate	Maturity date
RO1415CTN057	24,897,280	01-Aug-14	5,000	1.70%	30-Mar-15
RO1415CTN024	10,921,447	08-Aug-14	2,187	1.80%	26-Jan-15
RO1415CTN0B1	40,331,220	11-Aug-14	8,169	2.09%	10-Aug-15
RO1415CTN081	27,762,769	08-Aug-14	5,600	1.95%	09-Jun-15
RO1415CTN073	58,926,685	30-Jul-14	11,866	1.70%	27-May-15
Total	162,839,401				

As of 31 December 2013, the Fund held the following treasury bills with discount, RON denominated:

ISIN	Value as at 31 December 2013	Settlement Date	No. of units	Interest rate	Maturity date
RO1314CTN0E7	53,519,131	23-Dec-13	10,800	2.72%	30-Apr-14
RO1314CTN060	44,630,882	27-Jun-13	4,500	4.35%	12-Mar-14
RO1314CTN060	31,737,362	02-Jul-13	3,200	4.35%	12-Mar-14
Total	129,887,375				

(iii) Government bonds

The Fund's maximum exposure to credit risk from government bonds was RON 31,749,581 as at 31 December 2014 (31 December 2013: RON 83,748,146).

As of 31 December 2014, the Fund held the following government bonds, denominated in RON:

ISIN	Value as at 31 December 2014	Settlement Date	No. of units	Interest rate	Maturity date
RO1015DBN010	31,749,581	07-Aug-14	3,000	6.00%	30-Apr-15
Total	31,749,581				

As of 31 December 2013, the Fund held the following government bonds, denominated in RON:

ISIN	Value as at 31 December 2013	Settlement Date	No. of units	Coupon rate	Maturity date
RO1214DBN027	48,971,641	14-Aug-13	4,647	5.95%	23-Apr-14
RO1214DBN027	34,776,504	23-Dec-13	3,300	5.95%	23-Apr-14
Total	83,748,146				

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)
5. Financial risk management (continued)
(b) Credit risk (continued)
(iv) Dividends receivable

The Fund has no credit risk from dividend receivable as at 31 December 2014 and 31 December 2013.

(c) 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 they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The following are the residual maturities of the Fund's financial assets and financial liabilities:

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2014				
Financial assets				
Cash and current accounts	6,879,129	-	-	-
Deposits with banks	84,280,694	25,144,236	-	-
Treasury bills	10,921,447	24,897,280	127,020,674	-
Government bonds	-	-	31,749,581	-
Equity investments at fair value through profit and loss	-	-	-	4,591,866,101
Equity instruments available for sale	-	-	-	8,335,790,680
Other receivables	9,438,338	-	-	-
	111,519,608	50,041,516	158,770,255	12,927,656,781
Financial liabilities				
Other liabilities	52,794,086	-	-	-
	52,794,086	-	-	-
	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2013				
Financial assets				
Cash and current accounts	5,552,477	-	-	-
Deposits with banks	232,110,013	-	-	-
Treasury bills	-	76,368,245	53,519,130	-
Government bonds	-	-	83,748,146	-
Equity investments at fair value through profit and loss	-	-	-	5,127,828,720
Equity instruments available for sale	-	-	-	9,184,400,405
Other receivables	3,624,222	-	-	-
	241,286,712	76,368,245	137,267,276	14,312,229,125
Financial liabilities				
Other liabilities	42,268,236	-	-	-
	42,268,236	-	-	-

The Fund's equity investments include unlisted securities, which are not traded in a regulated market and generally may be considered be 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.

Not all shares listed on Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions. The Fund prudently manages liquidity risk by maintaining sufficient liquid assets to finance current liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

5. Financial risk management (continued)**(d) Taxation risk**

On 1 January 2007 Romania became a member of the European Union and therefore has to apply detailed and complex rules on the basis of the EU Treaties, Regulations and Directives. The Fund had to conform to EU legislation from 1 January 2007 and, therefore, had to apply the changes arising from the EU legislation. These changes were implemented and the tax authorities had up to 5 years to audit the way these changes were implemented.

Interpretation of the text and practical implementation procedures of the EU tax regulations could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Fund's treatment.

Furthermore, the Romanian Government has a number of agencies that are authorised to conduct audits (controls) of companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Fund will continue to be subject to regular controls as new laws and regulations are issued.

(e) Operating environment

The ongoing uncertainty about the direction of European fiscal politics, responding central bank action and fears of a renewed possible breakup of the European Union (or single countries leaving, like a now less unthinkable Greek exit), continue to add volatility to equity markets, especially for countries with strong links to Europe.

Further uncertainty is linked to recent spikes in volatility in commodity markets, especially from the dramatic fall in oil prices. Companies with a heavy reliance on commodities will face increased uncertainty and their cash flow can be affected.

Both political uncertainty and volatility in commodities can impact the value of the Romanian economy and consequently also the Fund's portfolio companies and its shares.

Management is unable to predict all developments which could have an impact on the Romanian economy and consequently what effect, if any, they could have on the performance of the Fund and its financial statements.

Management is unable to reliably estimate the effects on the Fund's financial statements of any further deterioration in the liquidity of the financial markets, devaluation of financial assets influenced by the increased volatility in the currency and equity markets.

(f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, service providers, 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 and creativity.

(g) Capital management

Fund's policy is to maintain a strong capital base so as to maintain shareholders' confidence and to sustain future developments.

The Fund's capital (shareholders' equity) comprises share capital, fair value and other reserves and retained earnings. The shareholders' equity was RON 13,347,873,023 at 31 December 2014 (31 December 2013: RON 14,725,225,311).

The Fund was not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

6. Financial assets and financial liabilities**Accounting classifications and fair values**

The table below presents the carrying amounts and fair values of the Fund's financial assets and financial liabilities:

	Loans and receivables	Available for sale	At fair value through profit or loss	Other amortised cost	Total carrying amount	Fair value
31 December 2014						
Cash and current accounts	6,879,129	-	-	-	6,879,129	6,879,129
Deposits with banks	109,424,930	-	-	-	109,424,930	109,424,930
Treasury bills	-	162,839,401	-	-	162,839,401	162,839,401
Government bonds	-	31,749,581	-	-	31,749,581	31,749,581
Equity investments	-	8,335,790,680	4,591,866,101	-	12,927,656,781	12,927,656,781
Other receivables	9,438,338	-	-	-	9,438,338	9,438,338
Other liabilities	-	-	-	(52,794,086)	(52,794,086)	(52,794,086)
	125,742,397	8,530,379,662	4,591,866,101	(52,794,086)	13,195,194,074	13,195,194,074
	Loans and receivables	Available for sale	At fair value through profit or loss	Other amortised cost	Total carrying amount	Fair value
31 December 2013						
Cash and current accounts	5,552,477	-	-	-	5,552,477	5,552,477
Deposits with banks	232,110,013	-	-	-	232,110,013	232,110,013
Treasury bills	-	129,887,375	-	-	129,887,375	129,887,375
Government bonds	-	83,748,146	-	-	83,748,146	83,748,146
Equity investments	-	9,184,400,405	5,127,828,720	-	14,312,229,125	14,312,229,125
Other receivables	3,624,222	-	-	-	3,624,222	3,624,222
Other liabilities	-	-	-	(42,268,236)	(42,268,236)	(42,268,236)
	241,286,712	9,398,035,926	5,127,828,720	(42,268,236)	14,724,883,122	14,724,883,122

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

7. Gross dividend income

	Year ended 31 December 2014	Year ended 31 December 2013
OMV Petrom S.A.	331,366,364	318,951,645
Romgaz S.A.	148,525,046	158,941,766
GDF Suez Energy Romania S.A.	33,600,000	22,800,000
Nuclearelectrica S.A.	33,164,141	2,769,286
Electrica Distributie Muntenia Nord S.A.	23,212,248	16,206,229
Transelectrica S.A.	22,046,532	3,997,666
Societatea Nationala a Sarii S.A.	19,808,540	9,297,643
Electrica Furnizare S.A.	19,637,608	9,260,589
Electrica Distributie Transilvania Sud S.A.	12,733,949	-
CN Aeroporturi Bucuresti S.A.	12,318,257	9,135,228
Electrica Distributie Transilvania Nord S.A.	11,666,197	-
CN Administratia Porturilor Maritime S.A.	10,118,830	5,355,572
Conpet S.A.	8,773,485	8,403,049
CN Administratia Canalelor Navigabile S.A.	175,612	856,672
Transgaz S.A.	-	37,568,760
Complexul Energetic Oltenia S.A.	-	12,312,014
Raiffeisen Bank International AG	-	4,433,195
E.ON Gaz Distributie S.A.	-	29,933,522
Aeroportul International Timisoara - Traian Vuia S.A.	-	672,674
Others	264,214	1,484,663
	687,411,023	652,380,173

The dividend income was subject to 16% withholding tax for Romanian equity investments and 5% withholding tax for Austrian equity investments. In cases where the relevant shareholding was larger than 10% of total issued shares for at least one year (2013- two years) prior to the dividend distribution, no withholding tax was due.

8. Gains on disposal of equity investments available for sale

In 2014, the Fund sold its entire holdings in Erste Group Bank, Raiffeisen Bank, Resib SA, Severnav SA, Transelectrica SA, Transilvania Com SA, Turdapan SA and part of its holding in Conpet SA, Oil Terminal SA, Romgaz SA. In October 2014 Carbid Fox SA was erased from Romanian Trade Register, at the end of bankruptcy procedure.

The net gain on disposal of these equity investments was RON 645,546,303 representing the difference between the proceeds from disposals (RON 1,074,882,392) and the carrying values of the equity investments as at disposal date (RON 1,046,111,033), plus the net unrealised gain related to these investments disposed, transferred from equity (other comprehensive income) to profit or loss upon their derecognition (RON 616,774,944).

In 2013, the gain on disposal of these equity investments was RON 115,106,096 representing the difference between the proceeds from disposals (RON 324,702,758) and the carrying values of the equity investments as at disposal date (RON 409,801,814), plus the net unrealised gain related to these investments disposed, transferred from equity (other comprehensive income) to profit or loss upon their derecognition (RON 200,205,152).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

9. Net gain/ (loss) from equity investments at fair value through profit or loss

	Year ended 31 December 2014	Year ended 31 December 2013
Realised net gain/ (loss) from equity instruments	2,023,243	(24,456,521)
Unrealised net gain/ (loss) from equity instruments	(606,242,873)	446,807,043
Total	(604,219,630)	422,350,522

Realised net gain / (loss) from equity investments was calculated as the difference between the proceeds from the disposal of equity investments at fair value through profit or loss during the period and the fair value of the equity investments disposed of at the beginning of the period.

If we calculate the realised net gain from equity investments by reference to the historical cost, this would be RON 1,972,612 (31 December 2013: a net loss of RON 71,250,429).

10. Operating expenses

	Year ended 31 December 2014	Year ended 31 December 2013
Investment management and administration fees	56,479,028	45,273,318
Financial Supervisory Authority monthly fees	14,582,299	15,098,151
Intermediaries fees related to disposal of portfolio holdings	11,756,815	7,653,492
Other fees related to disposal of portfolio holdings	1,974,112	1,292,929
Depositary fee	1,767,065	1,780,597
Remunerations and related taxes	1,120,313	947,635
Third party services	22,023,450	13,220,265
Other operating expenses	3,938,574	3,161,058
	113,641,656	88,427,445

Until 30 September 2014, the investment management and administration fee was calculated as 0.479% per year (out of which investment management fee was 0.379% per year and the administration fee was 0.10% per year) applied to the market capitalisation of the Fund, calculated by multiplying the number of issued shares with the average share price of Fondul Proprietatea's shares in the quarter for which the fee was calculated.

Starting with 30 September 2014, the investment management and administration fee (base fee) is calculated as 0.60% per year applied to the market capitalisation of the Fund, calculated by multiplying the number of Fund's issued and paid shares minus the number of settled treasury shares, with the weighted average share price of Fondul Proprietatea's shares, in the quarter for which the fee is calculated.

In 2013 and 2014, the investment management and administration fees were invoiced and paid on quarterly basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
 (all amounts are in RON unless otherwise stated)

11. Income tax (expense)/ benefit

	Year ended 31 December 2014	Year ended 31 December 2013
Current tax expense		
Current tax (16%)	(16,627,992)	-
Dividend withholding tax	(5,306,263)	(2,678,657)
	(21,934,255)	(2,678,657)
Deferred tax related to:		
Equity investments	144,872,210	(379,284,493)
Fiscal loss carried forward/ (used)	(342,189)	(180,063)
	144,530,021	(379,464,556)
Income tax (expense) / benefit	122,595,766	(382,143,213)

The effective tax rate used to calculate the deferred tax position of the Fund for the years ended 31 December 2014 and 31 December 2013 was 16% (standard tax rate).

	Year ended 31 December 2014	Year ended 31 December 2013
Reconciliation of effective tax rate		
Profit/ (loss) for the period	427,186,290	(38,743,928)
Income tax (expense)/ benefit	122,595,766	(382,143,213)
Profit excluding income tax	304,590,524	343,399,285
Income tax using the standard tax rate (16%)	(48,734,484)	(54,943,886)
Effect of:		
Lower or nil tax rate on dividend income	100,222,241	101,150,910
Gain on cancellation of treasury shares (taxable equity item)	(39,385,958)	-
Decrease of the nominal value of the treasury shares (taxable equity item)	(373,073)	-
Profit appropriation to legal reserve	-	298,564
Non-taxable income	157,420,659	7,591,576
Non-deductible expenses	(78,325,115)	(1,982,699)
Impact of non-recognition of deferred tax on change in fair value of equity investments	29,271,496	(54,716,995)
Sponsorship expenses	2,500,000	-
Reversal of deferred tax following the changes in the fiscal legislation	-	(379,284,494)
Austrian dividend withholding tax non deductible from fiscal point of view	-	(256,189)
Income tax (expense)/ benefit	122,595,766	(382,143,213)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

11. Income tax (expense)/ benefit (continued)

In 2014, the non-taxable income and non-deductible expenses included mainly the proceeds (RON 964,229,782, with a tax effect on reconciliation of RON 154,276,765) and respectively the cost (RON 473,045,554, with a tax effect on reconciliation of RON 75,687,289) related to the disposal of equity investments where Fund's holding was greater than 10% of the share capital of the company, for an uninterrupted period of at least 1 year.

	Year ended 31 December 2014	Year ended 31 December 2013
Tax income/ (expense) recognised directly in equity:		
On equity investments carried at fair value	7,806,738	16,887,972

Please see note 16 for details regarding deferred tax assets computation and recognition.

12. Cash and current accounts

	31 December 2014	31 December 2013
Petty cash	538	186
Current accounts with banks	6,878,591	5,552,291
	6,879,129	5,552,477

The current accounts held with banks are not pledged as collateral for liabilities.

13. Deposits with banks

	31 December 2014	31 December 2013
Bank deposits with original maturities of more than three months and less than one year	25,000,000	-
Bank deposits with original maturities of less than three months	84,278,998	232,021,138
Interest accrued on bank deposits	145,932	88,875
	109,424,930	232,110,013

None of the deposits held with banks is pledged as collateral for liabilities.

14. Treasury bills and government bonds

In 2014 and 2013, the Fund acquired discounted treasury bills denominated in RON issued by the Ministry of Public Finance of Romania. As at 31 December 2014 and 31 December 2013 the treasury bills balance comprises treasury bills with residual maturity up to 12 months, with implicit interest rates (based on the yield to maturity for each issue) ranging between 1.7% and 2.09% per year as at 31 December 2014 (31 December 2013: 2.72% – 4.35% per year).

	31 December 2014	31 December 2013
Treasury bills with original maturities of more than three months and less than one year	162,839,401	53,519,130
Treasury bills with original maturities of less than three months	-	76,368,245
	162,839,401	129,887,375

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

14. Treasury bills and government bonds (continued)

In 2014 and 2013, the Fund acquired government bonds with coupon, denominated in RON, issued by the Ministry of Public Finance of Romania. The government bonds as at 31 December 2014 amounted RON 31,749,581 (31 December 2013: 83,748,146), have original maturities of more than three months and less than one year and coupon rate of 6% per year (31 December 2013: 5.95% per year).

15. Equity investments

In accordance with Law 247/2005, as amended by Government Emergency Ordinance no.209/2005, the Fund received, at its establishment on 28 December 2005, shares in 117 companies as contribution in kind from the Romanian State, as sole shareholder.

In June 2007, Government Emergency Ordinance no. 81/2007 for the acceleration of the procedure for granting compensations for the property abusively nationalised (“GEO 81/2007”) came into force, in accordance with which:

- 32 new shareholdings were added to the Fund’s portfolio as contribution in kind to its share capital (21 shareholdings in companies already in the portfolio and 11 shareholdings in companies not previously in the portfolio);
- 39 shareholdings were removed from the Fund’s portfolio and transferred back to the Romanian state.

The valuation of the shares contributed by the Romanian state in December 2005 and June 2007 was performed in October 2007 by an independent valuer (Finevex S.R.L. Constanta), who followed the valuation methodology set forth by Law 247/2005. The value of the shareholdings, as determined by the valuer, represented the cost (initial value) of the equity investments.

Equity investments are classified as financial assets at fair value through profit or loss (respectively Fund’s associates and subsidiaries) and financial assets available for sale (all the other equity investments).

As a result of the application of the Amendments starting 1 January 2014, the Fund changed its accounting policies and classified all its equity investments in subsidiaries and associates at fair value through profit or loss while all the other equity investments remained classified as available for sale financial assets, carried at fair value.

In this respect, the Fund retrospectively adjusted both the period that immediately precedes the date of initial application (year ended 31 December 2013) and the Statement of financial position at the beginning of the immediately preceding period (1 January 2013) for the difference between the previous carrying value and the fair value of these equity investments.

Equity investments classified as financial assets at fair value through profit or loss are valued:

- Either at fair value, determined by reference to published bid price quotations on the stock exchange where shares are traded (listed and liquid securities), or assessed by independent valuers, using valuation techniques in accordance with International Valuation Standards (unlisted securities).
- Or at values considered to be equivalent to fair values, being the values used in the calculation of the net asset value of the Fund, determined in accordance to the regulations issued by the FSA/CNVM (listed but illiquid securities and unlisted securities for which fair values assessed by independent valuers were not available).

Equity investments classified as financial assets available for sale are valued:

- Either at fair value, determined by reference to published bid price quotations on the stock exchange where shares are traded (listed and liquid securities), or assessed by independent valuers, using valuation techniques in accordance with International Valuation Standards (unlisted securities).
- Or, as at 31 December 2014, at values considered to be equivalent to fair values, being the values used in the calculation of the net asset value of the Fund, determined in accordance to the regulations issued by the FSA/CNVM (listed but illiquid securities and unlisted securities for which fair values assessed by independent valuers were not available at that date).
- Or, as at 31 December 2013 and 1 January 2013, at cost less impairment (listed but illiquid securities and unlisted securities for which fair values assessed by independent valuers were not available at that date).

The movement in the carrying amounts of equity investments is presented below:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

	Equity investments valued using equity method	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
31 December 2012, as previously reported	4,706,829,818	-	6,393,201,506	6,393,201,506
Impact of change in accounting policy	(4,706,829,818)	4,941,785,621	(61,687,447)	4,880,098,174
1 January 2013, as restated	-	4,941,785,621	6,331,514,059	11,273,299,680
Shares contributions in kind by State		-	357,420	357,420
Cash contributions to portfolio companies share capital increases		11,115,750	31,598,091	42,713,841
Disposals		(271,879,694)	(409,801,814)	(681,681,508)
Impairment loss		-	(835,772,382)	(835,772,382)
Changes in fair value through equity reserve		-	4,066,505,031	4,066,505,031
Net gain/ (loss) from measurement at fair value through profit or loss		446,807,043	-	446,807,043
31 December 2013, as restated	-	5,127,828,720	9,184,400,405	14,312,229,125

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

	Equity investments valued using equity method	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
31 December 2013, as previously reported	5,059,270,088	-	9,253,617,165	9,253,617,165
Impact of change in accounting policy	(5,059,270,088)	5,127,828,720	(69,216,760)	5,058,611,960
31 December 2013, as restated	-	5,127,828,720	9,184,400,405	14,312,229,125
Equity investments classified as investments in associates starting 2014		76,049,556	(76,049,556)	-
Shares contributions in kind by State		-	1,433,610	1,433,610
Disposals		(2,020,548)	(1,046,111,034)	(1,048,131,582)
Impairment loss		-	(344,087,673)	(344,087,673)
Return of share capital of portfolio companies		(3,748,753)	-	(3,748,753)
Changes in fair value through equity reserve		-	616,204,928	616,204,928
Net gain/ (loss) from measurement at fair value through profit or loss		(606,242,873)	-	(606,242,873)
31 December 2014	-	4,591,866,101	8,335,790,680	12,927,656,781

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

In 2014, the management has reassessed the indicators of significant influence regarding the portfolio companies and concluded that, in case of Societatea Nationala a Sarii SA and Plafar SA, the Fund has significant influence over the financial and operating policies of these companies due to the active representation in the board of directors and active participation in policy making process. In consequence, starting 2014, in addition to OMV Petrom SA, Societatea Nationala a Sarii SA and Plafar SA are also classified as Fund's associates and, as a result, valued at fair value through profit or loss.

In 2014, the Fund sold its entire holdings in Erste Group Bank, Raiffeisen Bank, Resib SA, Severnav SA, Transelectrica SA, Transilvania Com SA, Turdapan SA and part of its holding in Conpet SA, Oil Terminal SA, Primcom SA, Romgaz SA.

In January 2014, Primcom SA performed a capital return to its shareholders following the decrease of its share capital by reducing the nominal value of the shares from RON 2.5 to RON 0.1.

In October 2014 Carbid Fox SA was erased from Romanian Trade Register, at the end of bankruptcy procedure.

In 2014 the Fund received 116,457 shares in Hidroelectrica SA (with a total nominal value of RON 1,164,570) and 26,904 shares in Complexul Energetic Oltenia SA (with a total nominal value of RON 269,040), following the share capital increase of these companies. The value of these shares was accounted for as contributions in kind by the Romanian state, represented by the Ministry of Public Finance, to the share capital of the Fund, in compensation for the receivable for unpaid capital.

Mergers

In November 2014, the General Shareholders Meetings of E.ON Gaz Distributie SA and E.ON Moldova Distributie SA approved the merger of the companies, with E.ON Gaz Distributie SA as absorbing company and E.ON Moldova Distributie SA as absorbed company. Following the merger, E.ON Gaz Distributie SA changed its name to E.ON Distributie Romania SA and E.ON Moldova Distributie SA was erased from the Trade Register. The registration of the new company was completed by the Trade Register on 31 December 2014. After the merger, the Fund holds 18.34% in the newly created company E.ON Distributie Romania SA.

Hidroelectrica's Insolvency

On 25 February 2014 the Bucharest Court of Appeal has taken the following decisions:

- Cancelled the initial decision of Bucharest Court whereby the judicial reorganisation procedure of Hidroelectrica was closed for procedural reasons. As a result, the case will be sent back to the syndic judge for a retrial. As a consequence, the company was placed back under the reorganisation procedure and the former judicial administrator was reinstated with an immediate effect.
- Cancelled and sent back to the syndic judge for retrial few other cases related to the force majeure clause in 2011, table of creditors and termination of contracts.

As at 31 December 2014, Hidroelectrica was still under reorganisation procedure.

Impairment losses

In 2014, the Fund recorded impairment adjustments of RON 344,087,673 (2013: RON 835,772,382) for the equity investments presented below, based on either fair values assessed by independent valuers or by reference to published prices quotations on the stock exchange (for listed holdings). All impairment losses are recognised through profit or loss. During 2014, an amount of RON 124,199,717 (2013: RON 158,703,880) has been reclassified from equity (other comprehensive income) to profit or loss, due to the prolonged decline in the value of some equity investments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
 (all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

The equity investments for which the Fund recorded impairment adjustments were:

Company	Year ended 31 December 2014	Year ended 31 December 2013
Complexul Energetic Oltenia S.A.	213,440,365	348,440,812
Nuclearelectrica S.A.	94,832,999	305,472,325
Alro S.A.	12,370,750	-
Conpet S.A.	10,649,104	-
BRD - Groupe Societe Generale S.A.	6,346,864	97,670,533
Posta Romana S.A.	4,895,274	20,032,000
Administratia Porturilor Dunarii Maritime S.A.	1,344,716	-
Salubriserv S.A.	207,601	-
Raiffeisen Bank International AG	-	43,870,195
Erste Group Bank AG	-	17,163,151
Forsev S.A.	-	3,123,366
Total	344,087,673	835,772,382

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

	31 December 2014	31 December 2013
Equity investments at fair value through profit or loss		
OMV Petrom S.A.	4,389,528,460	5,054,412,918
Societatea Nationala a Sarii S.A.*	142,882,000	-
Zirom S.A.	39,338,000	43,464,000
Primcom S.A.	12,345,176	23,414,095
Other	7,772,465	6,537,707
	4,591,866,101	5,127,828,720

* Starting 2014, Societatea Nationala a Sarii SA was classified as Fund's associates and, consequently, was valued at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
 (all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

Equity investments available for sale	31 December 2014	31 December 2013
Hidroelectrica S.A.	2,178,094,000	2,105,161,000
Romgaz S.A.	1,362,879,066	1,975,701,972
Enel Distributie Banat S.A.	640,491,000	573,250,000
Enel Distributie Muntenia S.A.	465,769,000	473,070,000
GDF Suez Energy Romania	461,321,000	404,410,000
E.ON Distributie Romania S.A. **	441,456,000	-
Enel Distributie Dobrogea S.A.	396,895,000	379,110,000
CN Aeroporturi Bucuresti S.A.	332,286,000	287,654,000
Electrica Distributie Muntenia Nord S.A.	235,600,000	296,200,000
BRD - Groupe Societe Generale S.A.	222,140,240	228,487,104
Nuclearelectrica S.A.	212,140,869	306,699,783
Electrica Distributie Transilvania Sud S.A.	206,500,000	192,000,000
Electrica Distributie Transilvania Nord S.A.	201,600,000	206,700,000
Banca Transilvania S.A.	143,234,554	106,793,311
E.ON Energie Romania S.A .	133,900,000	45,765,358
Administratia Porturilor Maritime S.A.	132,594,000	52,621,414
Electrica Furnizare S.A.	126,368,000	-
Complexul Energetic Oltenia S.A.	108,474,000	321,644,000
Alro Slatina S.A.	84,546,268	105,464,181
Enel Energie S.A.	74,377,000	19,278,553
Enel Energie Muntenia S.A.	65,144,000	2,833,769
Posta Romana S.A.	55,896,000	60,790,000
Conpet S.A.	-	115,715,745
Transelectrica S.A.	-	156,245,397
Raiffeisen Bank International AG	-	77,793,309
Erste Group Bank AG	-	45,100,460
E.ON Moldova Distributie S.A. **	-	345,359,000
E.ON Gaz Distributie S.A. **	-	165,200,000
Societatea Nationala a Sarii S.A.*	-	76,049,556
Other	54,084,683	59,302,491
	8,335,790,680	9,184,400,405
Total equity investments	12,927,656,781	14,312,229,125

* Starting 2014, Societatea Nationala a Sarii SA was classified as Fund's associates and, consequently, was valued at fair value through profit or loss.

** In November 2014, the General Shareholders Meetings of E.ON Gaz Distributie S.A. and E.ON Moldova Distributie S.A. approved the merger of the companies, with E.ON Gaz Distributie S.A. as absorbing company and E.ON Moldova Distributie S.A. as absorbed company. Following the merger, E.ON Gaz Distributie S.A. changed its name to E.ON Distributie Romania S.A. and E.ON Moldova Distributie was erased from the Trade Register

None of the equity investments are pledged as collateral for liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)**Fair value hierarchy**

The table below analyses equity investments carried at fair value, by valuation method.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement, the different levels being defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2014:

	Level 1	Level 2	Level 3	Total
Equity investments	6,417,755,342	-	6,443,756,000	12,861,511,342
Treasury bills	162,839,401	-	-	162,839,401
Government bonds	31,749,581	-	-	31,749,581
	6,612,344,324	-	6,443,756,000	13,056,100,324

At 31 December 2013:

	Level 1	Level 2	Level 3	Total
Equity investments	8,178,000,258	-	5,854,669,000	14,032,669,258
Treasury bills	129,887,375	-	-	129,887,375
Government bonds	83,748,146	-	-	83,748,146
	8,391,635,779	-	5,854,669,000	14,246,304,779

The level in the fair value hierarchy within which the fair value measurement is categorised, is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that financial instrument is classified in Level 3. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset. The determination of what constitutes observable requires significant judgments by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

For all Level 3, the equity instruments valuation was performed by independent valuers, based on financial information provided by the Fund using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs, under the supervision and review of the Fund's Management, who ensures that all underlying data used in the report is accurate, and appropriate inputs are used in the valuation. As the valuation reports were prepared as at 30 September 2014 (for 31 December 2013: as at 31 September 2013), based on financial information available for the companies under valuation as at the respective date, the Fund's Management have analysed, based on the available information, the period between the date of the valuation reports and the reporting date. There was no information known or available to the Fund's Management which may have impact on the fair values of the equity investments as at the reporting date, as they are presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties to the extent that the Fund believes that a third party market participant would take into account these factors in pricing a transaction.

As a result of strong volatility in the capital market and severe restrictions in the credit markets both globally and in Romania, notwithstanding any potential economic stabilisation measures that may be put into place by the Romanian State, economic uncertainties arose surrounding the continual availability and cost of credit for the Fund's counterparties, future development of the market and demand for goods and services they produce.

The economic uncertainties are expected to continue in the foreseeable future and, as a consequence, there is a possibility that assets of the Fund are not recovered at their carrying amount in the ordinary course of business. A corresponding impact on the Fund's profitability cannot be estimated reliably as of the date of these financial statements.

As at 31 December 2014, the equity investments included equity investments valued at values used in the calculation of 31 December 2014 net asset value of the Fund, determined in accordance to the regulations issued by the FSA/CNVM, in amount of RON 66,145,439.

As at 31 December 2013, the equity investments included equity investments valued at cost less impairment in amount of RON 249,608,066 and equity investments valued at values used in the calculation of 31 December 2013 net asset value of the Fund, in amount of RON 29,951,801.

For the equity investments classified under Level 1, the Fund had sufficient available information with respect to active markets, with sufficient trading volume for accurate price discovery.

As at 31 December 2014, unlisted equity investments with a carrying amount of RON 6,443,756,000 (31 December 2013: RON 5,854,669,000) were classified into Level 3 of the fair value hierarchy. Out of this, an amount of RON 2,836,777,204 represents the total net change in fair value recognised in equity (other comprehensive income) as at 31 December 2014 (31 December 2013: RON 2,293,368,230). The fair values for these equity investments were assessed by independent valuers, using valuation methods in accordance with International Valuation Standards.

The following table sets out information about significant unobservable inputs used at 31 December 2014 and 31 December 2013 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

Financial assets	Fair value at 31 December 2014	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Total	6,443,756,000			
Unlisted equity instruments	6,094,675,000	Market approach - comparable companies (based on EBITDA multiples)	EBITDA multiple ranging from 3.88 to 9.36 Discount for lack of marketability: 15% or 20%	The higher EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	108,474,000	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 1 Discount for lack of marketability: 20%	The higher Revenue multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	240,607,000	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 12.17% to 16.26%. Discount for lack of marketability ranging from 0% to 15%. Discount for lack of control ranging from 0% to 20%. Long-term revenue growth rate ranging from 1.5% to 2.5%	The lower the weighted average cost of capital, the higher the fair value. The lower discount for lack of marketability, the higher the fair value. The lower discount for lack of control, the higher the fair value. The higher the revenue growth rate, the higher the fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

Financial assets	Fair value at 31 December 2013	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Total	5,854,669,000			
Unlisted equity instruments	5,749,758,000	Market approach - comparable companies (based on EBITDA multiples)	EBITDA multiple ranging from 5.52 to 9.18	The higher EBITDA multiple, the higher the fair value.
			Discount for lack of marketability: 10% or 25%	The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	104,911,000	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 13% to 15%.	The lower the weighted average cost of capital, the higher the fair value.
			Discount for lack of marketability: 0% or 5% or 10%	The lower discount for lack of marketability, the higher the fair value.
			Discount for lack of control: 0% or 20%	The lower discount for lack of control, the higher the fair value.
			Long-term revenue growth rate ranging from 2% to 2.5%	The higher the revenue growth rate, the higher the fair value.

Significant unobservable inputs are the following:

Revenue multiple: is a tool used to appraise businesses based on market comparison to similar public companies. Revenue based business value estimation may be preferred to earnings multiple valuation whenever there is uncertainty or doubt regarding some of the company's expenses. The most common tendency is to value a firm based on its sales whenever this number is the most direct indication of the company's earning capacity.

EBITDA multiple: represents the most relevant multiple used when pricing the investments and it is calculated using information from comparable public companies (similar geographic location, industry size, target markets and other factors that valuers consider to be reasonable). The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its EBITDA and further discounted for considerations such as the lack of marketability and other differences between the comparable peer group and specific company.

Discount for lack of marketability: represents the discount applied to the comparable market multiples to reflect the liquidity differences between a portfolio companies relative to the comparable peer group. Valuers estimate the discount for lack of marketability based on professional judgement after considering market liquidity conditions and company-specific factors.

Discount for lack of control: represents the discount applied to reflect the absence of the control power and it was considered under the discounted cash flow method, in order to derive the value of a minority shareholding in the equity of the subject companies.

Weighted average cost of capital: represents the calculation of a company's cost of capital in nominal terms (including inflation), based on the "Capital Asset Pricing Model". All capital sources – shares, bonds and any other long-term debts - are included in a weighted average cost of capital calculation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

16. Deferred tax assets

	31 December 2014	31 December 2013
<i>Temporary differences deductible (taxable)</i>		
On equity investments	954,243,433	-
Fiscal loss carried forward	-	2,138,680
Recognised deferred tax asset at 16%	152,678,949	342,189

The effective tax rate used to calculate the deferred tax position of the Fund as at 31 December 2014 and as at 31 December 2013 was 16% (standard tax rate).

The movement in the deferred tax assets position is presented in the below tables:

	Balance at 1 January 2014	Recognized in profit or loss	Recognized in equity (other comprehensive income)	Balance at 31 December 2014
2014				
Equity investments	-	144,872,211	7,806,738	152,678,949
Fiscal loss carried forward/ (used)	342,189	(342,189)	-	-
	342,189	144,530,022	7,806,738	152,678,949

	Balance at 1 January 2013	Recognized in profit or loss	Recognized in equity (other comprehensive income)	Balance at 31 December 2013
2013				
Equity investments	362,396,521	(379,284,493)	16,887,972	-
Fiscal loss carried forward/ (used)	522,252	(180,063)	-	342,189
	362,918,773	(379,464,556)	16,887,972	342,189

In accordance with the changes to the Romanian Fiscal Code, with effect from 1 January 2014, no income tax will be applied to the sale of equity instruments held in Romanian entities or entities resident in a country with which Romania has a tax treaty, where the holding is at least 10% of the share capital of the entity and has been held for an uninterrupted period of at least 1 year.

Starting 1 January 2015, IFRS, as adopted by EU will become the official accounting standards in Romania for entities regulated and monitored by the FSA - Financial Investment and Instruments Sector (including Fondul Proprietatea). In consequence, the IFRS accounting basis will become the tax basis going forward.

This accounting change results in deferred tax related to the equity investments at fair value through profit or loss, irrespective of the holding of the Fund in the share capital of the issuer.

As at 31 December 2014, the Fund recognised only the net deferred tax asset generated by the equity investments at fair value through profit or loss, considering that the negative changes in the fair value of these equity investments (tax deductible expenses) are due to temporary market conditions and are expected to be reversible in the foreseeable future, and, consequently, will be offset by future positive changes in fair value (taxable income).

In addition, as at 31 December 2014 and 31 December 2013, the Fund had temporary differences on equity investments available for sale, resulting in a potential future tax asset in amount of RON 277,711,292, respectively RON 100,910,009 (please see details in the table below). The Fund has assessed that sufficient taxable profits will not be available in the future for such assets to be recovered and, as a result, it was not recognised.

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 (all amounts are in RON unless otherwise stated)

16. Deferred tax assets (continued)

The total temporary differences and related potential deferred tax asset and the part of the temporary differences and related deferred tax asset not recognised are summarised in the below table:

	31 December 2014	31 December 2013
<i>Total temporary differences deductible (taxable)</i>		
On equity investments	2,689,939,004	630,687,559
Fiscal loss carried forward	-	2,138,680
Total deferred tax asset at 16%	430,390,241	101,252,198
Out of which:		
Deferred tax asset recognised	(152,678,949)	(342,189)
Not recognised deferred tax asset	277,711,292	100,910,009

17. Other liabilities

	31 December 2014	31 December 2013
Investment Management and Administration fees	16,064,203	13,471,953
Payable to shareholders related to the return of capital	11,434,904	-
Provision for litigations	11,397,683	11,104,066
Prior years dividends payable	5,455,306	11,250,020
Payables related to treasury shares under settlement	3,468,114	-
Financial Supervisory Authority fees	1,164,865	1,262,977
Tax on dividends	-	1,423,830
Other liabilities	3,809,011	3,755,390
	52,794,086	42,268,236

The provisions for litigations are related to the legal case started by World Trade Center Bucharest against the Fund in August 2013, requesting the Fund to pay back the amounts recovered from the enforcement procedure against this company during 2010 and 2011 and to pay the related legal interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

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

As at 31 December 2014, the subscribed share capital was RON 11,815,279,886.85 representing 12,437,136,723 shares with a nominal value of 0.95 RON per share, out of which 363,812,350 shares were unpaid.

Unpaid share capital represents the net value of certain contributions due from the Romanian State represented by the Ministry of Public Finance, as shareholder, to the Fund that were recorded in previous years as paid capital (based on Law 247/2005, with subsequent amendments).

In 2014, the paid-up capital of the Fund:

- decreased by RON 1,286,207,951 following the cancellation of 240,304,801 treasury shares acquired by the Fund in the first buy-back programme carried on in 2011 and the cancellation of 1,045,903,150 treasury shares acquired by the Fund in the second buy-back programme carried on in 2013.
- decreased by RON 658,705,091 following the reduction of the nominal value of the shares from RON 1.00 to RON 0.95 per share.
- increased by RON 1,433,610 due to the receipt by the Fund of 26,904 shares in Complexul Energetic Oltenia SA and of 116,457 shares in Hidroelectrica SA following a share capital increase of these companies, recorded as contribution in kind from the Romanian State to the share capital of the Fund.

Holders of unpaid shares are not entitled to vote or to receive dividends.

Following all these changes, as at 31 December 2014 the paid-up capital of the Fund decreased from RON 13,413,137,586 to RON 11,469,658,154.35 (divided in 12,073,324,373 shares with a nominal value of RON 0.95 per share) and the subscribed share capital of the Fund decreased from RON 13,778,392,208 to RON 11,815,279,886.85 (divided in 12,437,136,723 shares with a nominal value of RON 0.95 per share).

By 31 December 2014, the State's share in the Fund's issued capital was 2.96% (31 December 2013: 2.67%) out of which only 0.04% was paid.

The movements in share capital components are presented below:

	Share capital paid in	Share capital unpaid	Total share capital
31 December 2012	13,412,780,166	365,612,042	13,778,392,208
Shares contributed in kind by the State	357,420	(357,420)	-
31 December 2013	13,413,137,586	365,254,622	13,778,392,208
Shares contributions in kind by State	1,433,610	(1,433,610)	-
Decrease of the nominal value of the shares	(658,705,091)	(18,199,279)	(676,904,370)
Cancellation of treasury shares	(1,286,207,951)	-	(1,286,207,951)
31 December 2014	11,469,658,154	345,621,733	11,815,279,887

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

The fair value reserves of RON 4,020,355,472 at 31 December 2014 (31 December 2013: RON 4,013,118,750) comprised the cumulative net change in the fair value of available for sale financial assets until the investments are derecognised or impaired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

18. Shareholders' equity (continued)**(c) Other reserves**

	31 December 2014	31 December 2013
Legal reserve	243,735,507	192,259,194
Other reserves	366,461,792	120,299,557
	610,197,299	312,558,751

As required by the Romanian law, a minimum 5% of the statutory profit for the year must be transferred to the legal reserve until the reserve equals 20% of the issued share capital.

The statutory financial statements have been prepared in accordance with the CNVM Regulation 4/2011 regarding accounting regulations compliant with EEC Directive IV applicable to the entities authorised, regulated and monitored by the FSA, approved by CNVM Order no. 13/2011 and with CNVM Instructions no. 2/2007 regarding the preparation and submission of annual financial statements, applicable to the entities authorised, regulated and monitored by the FSA, as subsequently amended ("Romanian Accounting Regulations").

The legal reserve cannot be used for distributions to shareholders.

In 2014, the Fund transferred to the legal reserves an amount of RON 51,476,313 representing 5% of the 2014 statutory gross profit of RON 1,029,526,257 (in 2013: RON 34,107,720 representing 5% of the 2013 statutory gross profit of RON 682,154,399).

Other reserves comprise the part of 2006 and 2007 profit allocated to other reserves, in amount of RON 120,299,557 (31 December 2013: RON 120,299,557) and the reserves related to the gain on cancellation of treasury shares acquired at an acquisition value lower than the nominal value, in amount of RON 246,162,235 (31 December 2013: nil).

(d) Treasury shares

The Fund's General Shareholders Meeting in September 2010 approved a first buyback programme of up to 10% of the Fund's share capital at prices ranging between 0.2 - 1.5 RON, which was valid until March 2012. The buyback programme started in May 2011 and by 30 September 2011 the Fund completed this programme by acquiring 240,304,801 shares equivalent to 1.74% of the Fund subscribed share capital for a total acquisition value, including transaction costs, of RON 120,268,583. The cancellation of the shares acquired within this buyback programme through the decrease of the subscribed share capital of the Fund was endorsed by FSA on 21 February 2014 and was effective on 24 February 2014.

At the General Shareholders Meeting on April 2012, the shareholders approved a second buyback programme: subject to availability of cash, the Fund Manager was authorised to repurchase a maximum number of 1.1 billion shares within the next 18 months within the price range of RON 0.2 per share to RON 1.5 per share to be cancelled upon completion of the buyback programme. The second buy-back programme started on 12 April 2013 and by 31 December 2013 the Fund had acquired all the 1,100,950,684 shares at a total acquisition value, including transaction costs of RON 974,824,667. In the 28 April 2014 Annual General Shareholders Meeting, the shareholders approved the decrease of the subscribed share capital of the Fund through the cancellation of the treasury shares acquired by the Fund in the second buy-back programme. The cancellation of the shares acquired within this buyback programme was effective on 26 September 2014.

At the General Shareholders Meeting in November 2013, the shareholders approved a third buyback programme: the Fund Manager was authorised to repurchase a maximum number of 252,858,056 shares or 1.89% of the paid-up share capital, within 18 months starting the date when the shareholders' resolution is published in the Official Gazette, within the price range of RON 0.2 per share to RON 1.5 per share to be cancelled upon completion of the buyback programme. The execution of the third buy-back programme started on 25 March 2014 and until 23 July 2014, all 252,858,056 treasury shares were acquired, at a total acquisition value, including transaction costs, of RON 205,784,683.

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(all amounts are in RON unless otherwise stated)

18. Shareholders' equity (continued)**(d) Treasury shares (continued)**

The shares acquired during the third buyback programme were not cancelled until 31 December 2014. The share capital decrease is effective beginning with 27 January 2015. For further details on the cancellation of shares acquired in the third buy-back programme, please see note 21.

In the 28 April 2014 Annual General Shareholders Meeting, the shareholders approved the fourth buy-back programme, for a maximum number of (i) 990,855,616 shares or (ii) 10% of the issued share capital at the relevant time, whichever is the lesser, starting with the date when the third buy-back programme is completed. As with previous buy-back, the programme can be executed within 18 months starting the date when the shareholders' resolution is published in the Official Gazette of Romania. The buy-back shall be performed at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share and the repurchased shares will be cancelled. The execution of the fourth buy-back programme started on 1 October 2014 and until 31 December 2014, 904,491,044 treasury shares were acquired, at a total acquisition value, including transaction costs, of RON 986,465,485.

In the 19 November 2014 General Shareholders' Meeting, the shareholders approved the fifth buy-back programme, that refers to the acquisition of a maximum number of (i) 227,572,250 shares or (ii) 10% of the subscribed share capital at the relevant time, whichever is the lesser, starting with the date when the share capital decrease approved through EGM Resolution on 23 September 2014 (regarding the cancelation of the shares purchased by the Fund during the third buy-back programme) is effective. The buy-back programme will be carried out until August 2016. The buy-back shall be performed at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share and the purchased shares will be cancelled. The shareholders' decision regarding the share capital decrease and the change of the Constitutive Act will be approved by the shareholders, with the observance of the provisions of the Constitutive Act, being agreed that the shareholders may approve one or more share capital decreases as the shares are being bought back and the shareholders are convened by the Sole Administrator. This implementation of the buy-back programme will be subject to the availability of the necessary cash.

(e) Dividends

In 2014, the Fund did not distribute dividends from 2013 profits, dividend distribution being replaced with a cash distribution to shareholders of RON 0.05 per share, via the decrease of the share capital through the reduction of the nominal value of the Fund's shares.

In June 2014, the FSA has issued the Endorsement ("Aviz") no.71/19.06.2014, which states the fact that the methodology for net asset value computation in accordance with CNVM Regulation 4/2010 shall not be applied in the context of the requirements of article 69 in Law 31/1990, with the subsequent amendments. The FSA has also clarified that the Endorsement is applicable prospectively from the date of its official publication, respectively 19 June 2014.

According to this Official interpretation of the FSA regarding the computation of Fund 'net asset value', dividend distributions cannot be made to shareholders at the present time because the Fund's shareholders' equity computed in accordance with Romanian Accounting Regulations (RON 9,339,030,996 as at 31 December 2014) is lower than the share capital of the Fund (RON 11,815,279,887 as at 31 December 2014).

The Fund Manager remains committed to ensuring annual cash distributions to the Fund's shareholders, based on the compliance with the applicable regulations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

19. Contingencies**1. Litigations**

As at 31 December 2014 the Fund was involved in certain litigations, either as defendant or claimant. According to the requirements of the IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" the Fund discloses in the financial statements those which may have significant effects on the Fund's financial position or profitability. The most important litigations were as follows:

- Some minority shareholders of the Fund (acting individually) have filed litigations against the Fund on various grounds, including some seeking the cancellation of certain resolutions of the General Shareholders Meeting ("GSM") and others seeking to block the registration of some resolutions with the Trade Register. These litigations are at various stages of process within the Romanian Court system and updates are frequently reported by management through the Stock Exchange news system.
- In one of these cases, on 10 October 2012 the Bucharest Court of Appeal rejected the appeal filed by the Fund and upheld the decision of the Bucharest Court to partly admit a claim to annul certain resolutions from the 6 September 2010 GSM relating to (inter alia) approval of a new Constitutive Act and the first appointment of FTIML as the administrator of the Fund. Also, in November 2013 Court of Appeal has ruled against the Fund in a case filed by Sfiraiala and annulled the EGM Resolution no. 5/2010 for modifying the Constitutive Act.

These decisions are irrevocable and they were implemented by Trade Register, without any changes in the Management of the Fund considering that:

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new changes and versions of the Constitutive Act were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM, the 23 November 2012 GSM, the 25 April 2013 GSM, the 22 November 2013 GSM, 3 February 2014 GSM, 28 April 2014 GSM, 23 September 2014 GSM and 19 November 2014;
- new resolutions passed during the 25 April 2012 GSM, 23 November 2012 GSM, 25 April 2013 GSM, 22 November 2013 GSM, 3 February 2014 GSM, 28 April 2014 GSM, 23 September 2014 GSM and 19 November 2014 specifically ratified and re-approved the objects of all the resolutions to which this Court decision relates (these resolutions were proposed by a shareholder and approved with a significant majority).

Therefore, FTIML as the Fund Manager of Fondul Proprietatea is liable to observe the current Constitutive Act and the shareholders' resolutions in force, and consequently will continue to manage the Fund in accordance with these and its management agreement.

In June 2014, in another case started by the Fund against the same shareholder the court confirmed her circumstantiated abuse of procedural rights against the Fund. Also, there are several court decisions confirming the fact that this shareholder did not prove a legitimate interest to promote certain annulment actions, and in one of these cases the decision is final – the Bucharest Court of Appeal issued the final decision in November 2014. In another file in December 2014 the Bucharest Court of Appeal issued an irrevocable decision maintaining as legal and valid the shareholders' resolutions approved by shareholders in April and November 2013 challenged initially.

The outcome of the ongoing cases cannot be determined with certainty at this stage. However, Management intends to defend the interests of the Fund and its shareholders in all these cases in accordance with the applicable laws.

2. Other contingencies of the Fund included:**1. The Fund is due to receive the following amounts from the Romanian State:**

- 3% of the amounts collected in by the institutions involved in the privatisation process from each sale of shares held with Romtelecom SA, until the sale of the entire participation;
- 20% of the amounts resulting from the privatisation of Romtelecom SA;
- 9.9% of the amounts resulting from the privatisation of C.E.C. SA.

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19. Contingencies (continued)

These amounts should be recorded as payments for the unpaid capital or as increases of the share capital by the Romanian State once they are collected, with the approval of shareholders, according to the legislation in force.

2. The receivables from World Trade Center Bucharest SA:

Title II, Article 4 of GEO 81/2007 stipulates the transfer from the Authority for State Assets Recovery ("AVAS") to the Fund of receivables from World Trade Center Bucharest SA amounting to USD 68,814,198 (including the original principal and related interest and penalties) on 29 June 2007.

Until 31 December 2014, the Fund recovered from World Trade Center Bucharest SA, USD 510,131, EUR 148,701, RON 8,724,888. Given the uncertainties regarding the recoverability of the amounts due by World Trade Center Bucharest SA, the above amounts were recognised on receipt basis in the Fund's financial statements.

In August 2013, World Trade Center Bucuresti SA filed a claim against the Fund asking to pay back the amounts received through the enforcement procedure during 2010 and 2011 (EUR 148,701, USD 10,131 and RON 8,829,663). The amounts recovered from the enforcement procedure were originally accounted for by the Fund as contributions of Ministry of Public Finance to the share capital of the Fund, decreasing the receivable related to the unpaid capital.

Consequently, these amounts are to be recovered by the Fund from the Ministry of Public Finance (being accounted for as a receivable over this shareholder of the Fund, for which an impairment adjustment was recorded), while the legal interest was recorded as an expense with provisions for litigations. The next hearing in front of Bucharest Court for this file was set for 27 February 2015.

Currently, World Trade Center Bucharest SA is the object of insolvency procedure, the next hearing being set for 25 March 2015.

By article IV of Law no. 10/2015, the Parliament decided that *"Beginning with the date when this law is in force the receivable mentioned at article 4 of Title II from Emergency Ordinance of the Government no. 81/2007 [...] will be transferred from Fondul Proprietatea to Ministry of Public Finance together with additional interests"*. Based on this law the Fund will ask the courts to call the Ministry of Public Finance in the two files mentioned above.

3. Contingent liability: Distribution fees payable to the Fund Manager

In September 2014 the shareholders approved the execution of the Addendum no. 2 to the Management Agreement no. 45 dated 29 April 2014, signed between the Fund and FTIML ("Addendum no. 2"), referring to the distribution fees payable by the Fund to the Fund Manager in relation to the non-dividend distributions to shareholders. The Addendum no. 2 will enter into force only after FSA endorsement, and it was not approved by FSA as at 31 December 2014. However, in January 2015, the Title VII of Law no. 247/2005 governing mainly the organisation and functioning of the Fund was amended, clarifying the status of private company of the Fund, the shareholders being able to freely decide with respect to its governing and functioning. Following this change in legislation, the endorsement of the Addendum no. 2 by the FSA is expected.

According to Addendum no. 2, a distribution fee of 2% (in the period 30 September 2014 – 31 October 2015) and 1% (in the period 1 November 2015 – 30 September 2016) of the value of non-dividend distributions would be payable by the Fund to the Fund Manager. The Addendum no. 2, states that the distribution fee is payable retrospectively, starting 30 September 2014.

The contingent liability of the Fund related to the distribution fees for the period 30 September – 31 December 2014 is of RON 19.4 million.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

20. Related parties**(a) Key management**

	Year ended 31 December 2014	Year ended 31 December 2013
Remunerations		
Members of the Board of Nominees	900,000	779,052

There were no loans to or other transactions between the Fund and the members of the Board of Nominees in 2014 or in 2013.

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch is both the Fund Manager and Sole Director of the Fund.

The transactions carried between the Fund and Fund Manager were the following:

Transactions	Year ended 31 December 2014	Year ended 31 December 2013
Investment management and administration fees	56,479,028	45,273,318
Rental expense	86,289	104,237
Operating cost	22,951	28,894
	56,588,268	45,406,449

During 2014 the Fund also recorded an amount of RON 2,986,573 (2013: RON 1,754,236), representing expenses incurred by the Fund Manager on Fund's behalf. These expenses were primarily related to promotional activities for the Fund (investor relations) and valuation services. The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominees approval.

As at 31 December 2014 the total liability to Fund Manager related to the above mentioned transactions was in the amount of RON 17,189,421 (31 December 2013: RON 14,019,201).

There are no other elements of compensation for key management.

(b) Subsidiaries

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

	31 December 2014	31 December 2013
Ownership interest		
Alcom S.A.	72%	72%
Comsig S.A.	70%	70%
Primcom S.A.	69%	75%
Zirom S.A.	100%	100%

During 2014, the Fund carried out the following transactions with its subsidiaries: (1) in January 2014, Primcom SA performed a capital return to its shareholders following the decrease of its share capital by reducing the nominal value of the shares from RON 2.5 to RON 0.1 and (2) in June 2014, the Fund sold part of its holding in Primcom SA in a buyback programme carried out by this company.

During 2013, the Fund recorded and received a dividend of RON 24,392 from Alcom SA.

Before adoption of the Amendments, given the materiality considerations, investments in subsidiaries were not consolidated but accounted for in accordance with IAS 39, as available-for-sale financial assets, with changes in fair value recorded in equity (other comprehensive income). As a result of the adoption of Amendments, the Fund changed its accounting policies for investments in subsidiaries, measuring them at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
 (all amounts are in RON unless otherwise stated)

20. Related parties (continued)
(b) Subsidiaries (continued)

The fair value of investments in subsidiaries is presented in the table below:

	31 December 2014	31 December 2013
Alcom S.A.	4,399,976	4,908,695
Comsig S.A.	1,538,490	1,629,011
Primcom S.A.	12,345,176	23,414,095
Zirom S.A.	39,338,000	43,464,000
	57,621,642	73,415,801

As at 31 December 2014, the Fund has no commitment or intention to provide financial or other support to its subsidiaries, including commitments or intentions to assist the subsidiaries in obtaining financial support. Also, no financial or other support was provided by the Fund during the reporting periods.

As at 31 December 2014 and 31 December 2013, there was no restriction on the ability of any of the subsidiaries to transfer funds to Fondul Proprietatea in any form of distributions.

(c) Associates

As at 31 December 2014, the Fund has three associates (31 December 2013: one associate), all of them incorporated in Romania:

	31 December 2014	31 December 2013
Ownership interest		
OMV Petrom S.A.	19%	19%
Societatea Nationala a Sarii S.A.	49%	<i>not associate in 2013</i>
Plafar S.A.	49%	<i>not associate in 2013</i>

In 2014, the management has reassessed the indicators of significant influence regarding the portfolio companies and concluded that, in case of Societatea Nationala a Sarii SA and Plafar SA, the Fund has significant influence over the financial and operating policies of these companies due to the active representation in the board of directors and active participation in policy making process. In consequence, starting 2014, in addition to OMV Petrom SA, Societatea Nationala a Sarii SA and Plafar SA are considered Fund's associates.

The transactions carried between the Fund and its associates are presented below:

	Year ended 31 December 2014	Year ended 31 December 2013
Gross dividend income		
OMV Petrom S.A.	331,366,364	318,951,645
Societatea Nationala a Sarii S.A.	19,808,540	<i>not associate in 2013</i>
	31 December 2014	31 December 2013
Dividends received		
OMV Petrom S.A.	331,366,364	318,951,645
Societatea Nationala a Sarii S.A.	19,808,540	<i>not associate in 2013</i>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

21. Subsequent events**21 January 2015 GSM Decisions**

The main decisions of the shareholders at the 21 January 2015 GSM were the following:

- The approval of the decrease of the subscribed share capital of Fondul Proprietatea from RON 11,575,064,733.65 to RON 10,965,850,800.30 through the reduction of the nominal value of the shares of the Fund from RON 0.95 to RON 0.90 and the approval of the payment to the shareholders registered with the Central Depository on 24 June 2015 of RON 0.05 per share, proportionally with their participation to the paid-up share capital of the Fund. The payment will start on 29 June 2015, provided that the decrease of the share capital mentioned above is effective by that time;
- The approval of the secondary listing of the Fund on the London Stock Exchange via GDRs or DIs by 10 July 2015.
- The ratification and the approval of all EGM resolutions and of all legal acts concluded, adopted and issued in the name of Fondul Proprietatea SA through Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, between 6 September 2010 and 20 January 2015.

Updates on the change of legislation regarding the Fund's activity

On 12 January 2015, Law no. 10/2015 was published in the Part I of the Official Gazette no. 22 ("**Law 10**"). Law 10 amends, among others, Title VII of Law no. 247/2005 governing mainly the organization and functioning of the Fund ("**Fund Law**"). Law 10 will enter into force on 15 January 2015, according to Article 78 of the Constitution, and from this moment onwards the following main amendments related to the Fund are applicable, namely:

- Any inconsistencies there might have been in the past legislation regarding the right of the Fund's shareholders to freely appoint the fund manager are now clarified; the provisions of Article 12 (2) of the Fund Law, stating that the fund manager is appointed through an international tender organised by the State are repealed.
- The provisions related to the State's special treatment for its contributions to the increase of the Fund's share capital are repealed.
- The Fund's receivable against World Trade Center București S.A. is transferred back to the Ministry of Public Finance.

Updates on the Fourth and Fifth Buy-Back Programme

On 4 February 2015, the Fund announced the completion of the 4th buy-back programme, through which the Fund acquired 990,855,616 shares of the Fund (equivalent to 8.13% of the Fund's subscribed share capital) through a tender offer for 750,000,000 shares (shares actually purchased: 749,998,142) and daily acquisitions on the Bucharest Stock Exchange. The total value of the buy-back programme was RON 1,046,128,420.15 (excluding brokerage fees and other acquisition related costs), and the weighted average price was approximately RON 1.0557 per share. The Fund Manager will request shareholders' approval for the cancellation of the shares repurchased during this buy-back programme at the next general shareholders' meeting.

The Fund Manager intends to continue with share buy-backs in accordance with the Fund's Investment Policy Statement, and started the fifth buy-back programme, approved by shareholders on 19 November 2014, on 10 February 2015.

Updates on the Shares Cancellation

The FSA, through Notice no. 25/27 January 2015, endorsed the decrease of the subscribed share capital from RON 11,815,279,886.85 to RON 11,575,064,733.65, following the cancellation of 252,858,056 treasury shares acquired by the Fund in the third buy-back programme in 2014. The share capital decrease is effective beginning with 27 January 2015. Therefore, starting with 27 January 2015, the new value of the Fund's subscribed share capital is RON 11,575,064,733.65, divided into 12,184,278,667 shares with a nominal value of RON 0.95 per share. The value of the paid-up share capital is RON 11,229,443,001.15, divided into 11,820,466,317 shares with a nominal value of RON 0.95 per share.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts are in RON unless otherwise stated)

21. Subsequent events (continued)**Litigation regarding the shares in Conpet SA**

On 19 April 2007, the Authority for State Assets Recovery (AVAS) filed an ownership claim with the 5th District First Instance Court against the Fund, the Central Depository, the FSA and Conpet SA, requesting the Court to rule upon the ownership rights of the claimant over a number of 524,366 shares in Conpet SA's share capital and to impose on the other defendants the obligation to register accordingly the shares in the shareholders' registry.

Beginning with 2007 there were several rounds of hearings and court decisions and several reorganisations, as the plaintiff in this case is in present the Department of Energy as a successor of AVAS.

On 19 March 2014 Bucharest Court ruled in favour of the Fund and rejected the request of Department of Energy. Against this decision of the Bucharest Tribunal, the Department of Energy file an appeal and on 30 January 2015 the Bucharest Court of Appeal ruled in favour of the Department of Energy obliging the Fund to transfer a number of 524,366 shares in Conpet SA's share capital to Department of Energy. The Fund can file the final appeal against the decision of Bucharest Court of Appeal within 15 days after the full decision is received from the Court.

This litigation was in progress as at 31 December 2014. This indicates that these conditions existed before the end of Fund's reporting period and meet the requirements of an adjusting event after the end of the reporting period. As a result, at 31 December 2014, the Fund recorded impairment adjustment for the holding in Conpet SA in amount of RON 10.7 million.

Applying IFRS as basis of accounting starting 1 January 2015

In August 2014 the FSA issued Instruction no 2/ 06.08.2014, according to which, starting 1 January 2015 the entities authorised, regulated and monitored by the FSA – Financial Investments and Instruments Sector, including Fondul Proprietatea, will apply IFRS, as endorsed by European Union as basis of accounting. As a result, starting the financial year 2015, the Fund will adopt IFRS as endorsed by European Union as the statutory accounting framework.

Annex 4

STATEMENT OF PERSONS RESPONSIBLE

Provisions of Art.30 of Accounting Law no. 82/1991 and

CNVM Regulations no. 1/2006, Art.112¹, par. 1, letter c

The annual financial statements as at 31 December 2014 prepared for:

Entity: Fondul Proprietatea S.A.

Address: Bucharest, District 1, 78–80, Buzești Street, 7th Floor

Trade Registry Number: J40/21901/28.12.2005

Form of property: 22 (joint ownership with public capital under 50%, domestic and foreign public and private capital companies)

CAEN code and name: 6430 “Trusts, funds and similar financial entities”

Sole Registration Code: 18253260

The undersigned, Grzegorz Maciej Konieczny, Legal representative, and Mihaela Moleavin, Financial reporting manager with Franklin Templeton Investment Management Ltd. United Kingdom, Bucharest Branch, as sole administrator of Fondul Proprietatea S.A, undertake the responsibility for the preparation of the annual financial statements on 31 December 2014 and confirm that:

- a) The accounting policies used for the preparation of the annual financial statements are in compliance with the applicable accounting regulations;
- b) The annual financial statements give a true and fair view of the financial position and performance and of other information regarding the conducted business.
- c) The company is conducting its business on the going concern basis.
- d) The Annual Administrator’s Report of Franklin Templeton Investment Management Ltd. United Kingdom, Bucharest Branch, regarding the management and administration of Fondul Proprietatea S.A. for the year 2014, includes an accurate overview of the developments and performance of Fondul Proprietatea S.A., as well as a description of the main risks and uncertainties related to the business.

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

Grzegorz Maciej Konieczny
Legal Representative

Mihaela Moleavin
Financial Reporting Manager

Annex 5 Changes to the first Investment Management Agreement during 2014

ADDENDUM NO. 3

TO THE MANAGEMENT AGREEMENT DATED 25.02.2010 SIGNED BETWEEN S.C. FONDUL PROPRIETATEA S.A. and FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED

This Addendum no. 3 to the Management Agreement is made on _____ 2013

Between:

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

FONDUL PROPRIETATEA S.A. of 78-80 Buzesti Street 17, 1st District, Bucharest, Romania (the “Customer”).

The Management Agreement signed on 25 February 2010 between SC Fondul Proprietatea SA and Franklin Templeton Investment Management Limited United Kingdom, as was modified through the Addendum number 1, will be modified as follows:

1. Clause 6.1 points (vi) and (vii) are modified and will have the following content:

“(vi) preparing an annual report on the management of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the general meeting of the shareholders;

(vii) proposing for the prior approval of the Board of Nominees and further to such, of the general meeting of the shareholders, of the yearly income and expenditure budget;”

2. Clause 6.2 is modified and will have the following content:

“6.2. The Fund Manager shall perform its duties under this Management Agreement in line with the Customer’s best interest, with respect to participating to public offerings or other corporate actions in connection with the securities in the Portfolio.”

3. Clause 9 is modified and will have the following content:

“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 Tender Book and the final offer formulated following the negotiations and the annexes of this agreement.

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

9.2 Save as expressly provided otherwise in this Management 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 when the Fund Manager has incurred them in advance, the following expenses:

a) expenses related to the payment of fees owed to the Depositary;

- b) expenses related to intermediaries;*
- c) expenses related to taxes and fees owed to CNVM,*
- d) expenses related to the financial audit performed on Fondul Proprietatea and 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,*
- f) expenses with intermediaries arranging the listing,*
- g) expenses related to investor relations and public relation in the interest of Fondul Proprietatea;*
- h) expenses related to ongoing reporting and disclosure obligations according to legislation in force;*
- i) expenses related to the organising of general meetings of shareholders and communications with the shareholders and to the payment of fees for registrar services rendered by the Central Depository;*
- j) expenses related to the payment of taxes and fees owed to the Bucharest Stock Exchange and to any other exchange on which the financial instruments of Fondul Proprietatea shall be admitted to trading;*
- k) expenses related to the registration with the Trade Registry or documents issued by the Trade Registry;*
- l) expenses related to the payment of fees owed to the banks for services performed on behalf of Fondul Proprietatea, except those mentioned under letter (a);*
- m) expenses related to legal advisers to act on behalf of Fondul Proprietatea, if the protection of the legal rights of Fondul Proprietatea is necessary, as well as the defense of its interests in case of third party claims;*
- n) expenses related to contracts with external service providers existing as of execution of this Management Agreement until the expiry or termination of the respective contracts;*
- o) expenses related to remuneration of 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;*
- p) expenses relating to printing costs for Fondul Proprietatea's documentation;*
- q) 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 Fondul Proprietatea;*
- r) expenses relating to the valuation of unlisted portfolio holdings by independent valuers with the prior approval of BoN, according to the Ordinary General Meeting of Shareholders Resolution no. 22/27.06.2012;*
- s) other expenses with an annual value that does not exceed EURO 50,000 related to the activity of Fondul Proprietatea;*
- t) other expenses approved by the BoN for the Customer in accordance with the Constitutive Act, if the annual value exceeds EURO 50,000.*

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:

- (i) expenses in connection with mailing and telephone;*
- (ii) expenses in connection with business travels and accommodation, except the expenses related to investor relations;*
- (iii) expenses in connection with salaries, bonuses and any other remunerations granted by the Fund Manager to its employees and collaborators;*
- (iv) any 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 IPS, and shall be consistent with the principles of best execution.*

9.4 Any director's fees or 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."

4. Clause 15.4 is modified and will have the following content:

"15.4. All notices or any other communication to be given under this Agreement must be in writing, in Romanian language, and must be: (i) personally delivered; (ii) delivered by fax; (iii) sent by courier with return receipt; or (iv) by e-mail."

5. Clause 19.5 is modified and will have the following content:

"19.5. The Fund Manager shall promptly notify the Customer in writing of any 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 Fund Manager will prepare yearly, within 30 days from the beginning of the calendar year, a list with portfolio managers, the primarily responsible for the Portfolio, and senior staff responsible for setting the business and investment policy within the Fund Manager. In case of a need to change a portfolio manager or a person primarily responsible for the Portfolio, the replacement shall have equal or superior qualifications and professional experience and similar time allocation for the Customer."

6. Clause 20.2 is deleted.

The other clauses of the Management Agreement signed on 25 February 2010 between SC Fondul Proprietatea SA and Franklin Templeton Investment Management Limited United Kingdom, as was modified through the Addendum number 1 remain unchanged.

SIGNATORIES

This Addendum will be signed in Romanian language and executed in 3 number of counterparts, all of which taken together constitute the agreement.

AS WITNESS the signatures of the duly authorized representatives of the parties on the date which appears first on page 1.

Signed by and for

FONDUL PROPRIETATEA S.A.

Signed by and for

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED UNITED KINGDOM

Annex 6 Approval of the Renewal of the Fund Manager Mandate

Resolution no. 2 / 28 April 2014 of the Shareholders' Ordinary General Meeting of FONDUL PROPRIETATEA S.A.

Headquarters: 78-80 Buzesti Street, 7th floor, 1st District, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 28 April 2014, 11:00 AM, the shareholders of Fondul Proprietatea S.A. ("the Fund") have met during the Shareholders' Ordinary General Meeting ("OGM") of the Fund, at its first summoning, at "JW Marriott" Hotel, "Constanta" Room, 90 Calea 13 Septembrie Street, 5th District, Postal Code 050726, Bucharest, Romania, the OGM being opened by its Chairman, namely Mr. Grzegorz Maciej Konieczny, in his capacity of legal representative of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, having its headquarters in Bucharest, 78-80 Buzesti Street, 7th and 8th floors, 1st District, registered with the Trade Register under no. J40/8587/2009, sole identification code 25851096 ("the Sole Administrator") and with the Public Register of the Romanian National Securities Commission ("CNVM") under number PJM05SSAM/400001.

Whereas:

- The convening notice of the OGM was published on the Fund's website (www.fondulproprietatea.ro) on 18 March 2014, in the Official Gazette of Romania, Part IV, number 1795/20 March 2014 and in "Romania Libera" newspaper no. 7072/20 March 2014,
- The provisions of the Fund's Articles of Association in force ("Articles of Association"),
- The applicable legislation,

Following debates, the Fund's shareholders decide as follows:

I. The approval of the OGM agenda.

This item is adopted with 4,418,546,295 votes representing 99.93% of the total validly casted votes, in accordance with Article 14 (1), second paragraph of the Articles of Association and Article 112 (1), second paragraph of Law no. 31/1990. The casted votes have been recorded as follows: 4,418,546,295 votes "for" and 2,783,296 votes "against". Also, there have been recorded 5,161,052 "abstains" and 180,282,105 votes have been annulled.

II. The approval of the renewal / extension of the current mandate of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch with its headquarters in Bucharest, 78-80 Buzesti St., 7th and 8th floors, 1st District, registered with the Trade Register under no. J40/8587/2009, with Fiscal Registration Code RO 25851096, registered with the Public Register of the National Securities Commission under no. PJM05SSAM/400001 as a branch of an Investment Management Company from a Member State of European Union as Sole Administrator and Fund Manager of Fondul Proprietatea SA for a duration of 2 years starting with 30 September 2014. This point of the agenda is effective subject to the endorsement without comments by FSA of EGM Resolution no. 17/22 November 2013 by the date of this meeting. If the shareholders of Fondul Proprietatea SA will vote in favour of the said renewal / extension and the endorsement of EGM Resolution no. 17/22 November 2013 is received without comments by the date of this meeting, the renewal / extension is effective after it is endorsed by FSA, where required by applicable law or regulation.

This item is adopted with 4,421,983,509 votes representing 99.77% of the total validly casted votes, in accordance with Article 14 (1), second paragraph of the Articles of Association and Article 112 (1), second paragraph of Law no. 31/1990. The casted votes have been recorded as follows: 4,421,983,509 votes "for"

and 9,999,284 votes “against”. Also, there have been recorded 1,267,321 “abstains” and 180,282,105 votes have been annulled.

- III. The empowerment, with authority to be substituted, of Grzegorz Maciej KONIECZNY, as legal representative of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, to sign the shareholders’ resolutions, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders’ resolution, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item is adopted with 4,418,185,764 votes representing 99.89% of the total validly casted votes, in accordance with Article 14 (1), second paragraph of the Articles of Association and Article 112 (1), second paragraph of Law no. 31/1990. The casted votes have been recorded as follows: 4,418,185,764 votes “for” and 4,470,199 votes “against”. Also, there have been recorded 4,976,398 “abstains” and 187,150,507 votes have been annulled.

- IV. The approval of 15 May 2014 as the registration date, in accordance with the provisions of Article 238 para. (1) of Capital Market Law no. 297/2004.

This item is adopted with 4,432,467,350 votes representing 99.92% of the total validly casted votes, in accordance with Article 14 (1), second paragraph of the Articles of Association and Article 112 (1), second paragraph of Law no. 31/1990. The casted votes have been recorded as follows: 4,432,467,350 votes “for” and 3,276,484 votes “against”. Also, there have been recorded 715,721 “abstains” and 180,282,105 votes have been annulled.

This decision is drafted and signed on behalf of the shareholders by:

Grzegorz Maciej KONIECZNY

Chairman of the meeting

Florin-Daniel Gavrilă

Meeting secretary

Valeriu Ioniță

Technical secretary

Annex 7 New Investment Management Agreement

MANAGEMENT AGREEMENT

DATED2014

FONDUL PROPRIETATEA S.A. and FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED

THIS AGREEMENT is made on2014

BETWEEN:

1. **FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED** of the Adelphi, 1-11 John Adam Street, London WC2N 6HT, United Kingdom, acting through its Romanian branch having its registered office at Premium Point, 78-80 Buzesti Str., 7-8th floors, 1st. District, Bucharest, Romania (the “Fund Manager”) (“S.A.I.” in Romanian language); and
2. **FONDUL PROPRIETATEA S.A.** of Buzesti St. 78-80, 1st District, Bucharest municipality, Romania (the “Customer”).

WHEREAS:

- (A) The Customer wishes to appoint the Fund Manager as a discretionary investment fund manager (“administrator al portofoliului” in Romanian language) of the Portfolio on the terms and subject to the conditions of this Management Agreement.
- (B) The Fund Manager wishes to accept such appointment, on the terms and subject to the conditions of this Management Agreement.
- (C) The Fund Manager is authorised and regulated by the United Kingdom Financial Conduct Authority (FCA) and the FSA and its Romanian branch is registered with the FSA under No. PJM05SSAM/400001/14.09.2009.

1. INTERPRETATION

In this Management 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 Management Agreement;
- references to “this Management Agreement” include its 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 Recitals, Sections, Articles, Clauses, Sub-Clauses and Annex are to the preamble, recitals, sections, articles, clauses and sub-clauses of, and annex 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 account maintained by the depositary and sub-custodian(s), as the Customer has notified in writing to the Fund Manager;

Affiliate means, with respect to any person, any other person directly or indirectly controlling, directly or indirectly 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 Board of Nominees (“Comitetul Reprezentantilor” in Romanian language) which supervises the Fund Manager, appointed by the GSM and under direct supervision of the GSM;

BoN Review Report has the meaning ascribed to such term in clause 9.5;

Central Depositary means a legal person established as a joint-stock company, authorised and supervised by the FSA, performing deposit, registration, clearing and settlement services for transactions with financial instruments and related activities;

CNVM means the Romanian National Securities Commission, having the duties established in the Government Emergency Ordinance no. 25/2002 on the approval of the By-laws of the National Securities Commission, approved with amendments by Law no. 514/2002, as subsequently amended; in April 2013 the CNVM was reorganized as the FSA;

Companies Law means Law no. 31/1990 on companies;

Constitutive Act means the Articles of Incorporation of the Customer;

Control means, in relation to any person, the power of another person, directly or indirectly, to secure that the affairs of such person are conducted in accordance with the wishes of that other person, (a) by means of the holding of shares or the possession of voting power in relation to that or any other person, or (b) by virtue of any powers conferred by the constitutional or corporate documents, or by contract or any other document or other legal relationship, or by applicable law, regulating that or any other person;

Customer means „Fondul Proprietatea” S.A., a closed - end investment company established in 2005 by the Romanian Government in accordance with, among others, Law no. 247/2005, as amended and operating in accordance with the Constitutive Act;

Damages mean any and all losses, claims, liabilities, damages, taxes or expenses;

Delegate means any entity to which the Fund Manager delegates or outsources any of its obligations under this Management Agreement;

Depositary 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 the CNVM / FSA to hold and safeguard financial assets in compliance with the provisions of Law no. 297/2004 and the GEO No. 32/2012, in the deposit of which are entrusted for safekeeping all assets of the Customer;

Discount Objective has the meaning ascribed to such term in the IPS;

Dispute has the meaning ascribed to such term in clause 19.2(a);

EGM means the Extraordinary General Meeting of the Customer’s Shareholders;

Force Majeure Event means, in relation to any party, any act, event or circumstance, the cause of which is not of such party's making nor within that party's reasonable control, including without limitation (to the extent not of that party's making nor within that party's reasonable control) act of God, war, hostilities (whether or not war has been declared), terrorist acts, acts of any civil or military authority, governmental or regulatory direction or restriction, suspension or withdrawal of licences or consents, currency restrictions, devaluations and fluctuations,

market conditions affecting the execution or settlement of transactions or the value of assets, failure or breakdown in communications, the failure of any relevant exchange or clearing house, riot, insurrection, civil commotion, public demonstration, sabotage, acts of vandalism, fire, flood, earthquake, extreme weather conditions, epidemic or pandemic, explosion, aircraft crashes or things falling from aircraft, release of ionising radiation or contamination by radioactivity, chemical or biological contamination, the order of any court or governmental or regulatory authority, delay in transportation or communications, breakage of or accidental damage to equipment, any strike, lock-out or other industrial trade dispute (not involving solely the employees of that party), structural shift or subsidence;

FSA means the Romanian Financial Supervisory Authority, having the duties established in the Government Emergency Ordinance no. 93/2012, as subsequently amended;

Fund Manager means Franklin Templeton Investment Management Limited, an asset management company and a foreign legal person, which is set up as an English private company authorized by the competent authority in its home Member State to carry out the role of a discretionary investment manager and which has set up a branch on Romania's territory, and which is registered with the FSA Registry. The Fund Manager is designated as sole director of the Customer according to the provisions of this Management Agreement and of the Constitutive Act;

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

GEO no. 32/2012 means the Emergency Government Ordinance no. 32/2012 published in the Official Gazette No. 435 of 30.06.2012, Part I;

GSM means the General Meeting of the Customer's Shareholders;

Indemnified Party means the Customer, its officers (but not the Sole Director), employees, agents and representatives;

IPS means the "Investment Policy Statement", i.e. the investment objectives and parameters governing investment decisions over the Portfolio which the Fund Manager has proposed and the GSM has approved;

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;

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 entered into between the Customer and the Fund Manager;

NAV means the net asset value of the Customer, which is determined according to CNVM Regulation no. 4/2010, as subsequently amended, supplemented directly or indirectly or replaced;

NAV Objective has the meaning ascribed to such term in the IPS;

New Appointment Date means, in relation to the appointment of a new fund manager and sole director, or, in the event the Customer becomes a self-managed fund, new directors of the Customer following termination of this Management Agreement, the later of: (i) the date when the new or, if decided by the Customer, interim, fund manager and sole director, or, as the case may be, new directors, are registered with the Trade Registry or any other competent authority as per the applicable legal provisions; and (ii) the date when the FSA issues its approval in relation to the appointment of the new, or, if decided by the Customer, interim, sole director and fund manager as the case may be, new directors, and, (iii) the date when all other mandatory legal requirements for the replacement of the Fund Manager have been satisfied, and, in each of the cases under paragraphs (i), (ii) and (iii), being effective on the date that the Fund Manager received notice (or ought reasonably to have received notice) of the event;

October GSM has the meaning ascribed to such term in clause 9.2;

OGM means the Ordinary General Meeting of the Customer's Shareholders;

OPCVM means undertakings for collective investment in transferable securities; meaning open-end investment funds and investment companies as defined by Art. 5 of GEO no. 32/2012;

Party means any of the Customer or the Fund Manager;

Performance Objectives has the meaning ascribed to such term in clause 9.1;

Performance Report has the meaning ascribed to such term in clause 9.3;

Portfolio means the portfolio of assets of the Customer, including uninvested cash designated from time to time by the Customer as subject to the management of the Fund Manager pursuant to this Management Agreement;

Reporting Period has the meaning ascribed to such term in clause 9.3;

Sole Director means the legal person appointed by the GSM to manage the Customer, within the limits provided by the applicable Romanian law, the Constitutive Act and the decisions of the GSM. For the purposes of this Management 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 in exchange for the fund manager directing to the respective broker trades concluded on behalf of the undertaking for collective investment managed by that fund manager;

Termination Notice means a termination notice given by the Customer or the Fund Manager, as per clause 13;

Termination Notice Date means the date when a Termination Notice is given, as per clause 13.

3. SCOPE OF THE AGREEMENT

The scope of this Management Agreement is to appoint the Fund Manager as the Sole Director of the Customer, and discretionary investment manager of the Customer and to establish the parties' rights and obligations in relation to such appointment.

4. APPOINTMENT OF THE FUND MANAGER

By this Management Agreement, the Customer appoints the Fund Manager as the Sole Director of the Customer and also as its discretionary investment manager for the Portfolio.

5. ACCEPTANCE OF APPOINTMENT

The Fund Manager accepts its appointment as Sole Director of the Customer and as discretionary investment manager for the Portfolio upon the terms of this Management Agreement.

6. OBLIGATIONS OF THE FUND MANAGER. MANAGEMENT SCOPE AND OBJECTIVES

- 6.1. The obligations and the competencies of the Fund Manager as Sole Director of the Customer are set forth by the Companies Law, Law no. 297/2004, GEO no. 32/2012 and the related regulations, as well as the Constitutive Act, which may be subject to further amendments according to the law, as well as the provisions of this Management Agreement. The Fund Manager undertakes to:
- (i) establish a reference date for shareholders entitled to vote within the GSM, under the law, and draft the text of the announcement on the convocation of the GSM, after obtaining the prior approval of the BoN and after it added to the agenda the matters requested by the BoN;
 - (ii) upon the written request of any shareholder submitted before the date of the GSM, provide answers, after obtaining the prior approval of the BoN, in connection with the aspects concerning the business of the Customer;
 - (iii) ensure that, if requested by any of the shareholders, a copy of the minutes of the GSM shall be given to them and also, after the calling of the annual OGM 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) prepare the annual financial statements, draft the annual activity report, the Performance Report, examine the financial auditors' report, present them to the BoN before submitting such documents to the GSM for approval and making proposals on the distribution of the profit, after obtaining the prior approval of the BoN;
- (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 the Customer, to be presented to the BoN for approval prior to its submission to the GSM;
- (vii) propose for the prior approval of the BoN and further, of the GSM, the annual income and expenditure budget and business plan;
- (viii) propose for the prior approval of the BoN and further, of the GSM of the Customer, the general strategy in accordance with the IPS of the Customer. The Fund Manager is responsible for the implementation of the investment policy and for achieving a proper balance between the profits and the risks related to the portfolio of the Customer. The Fund Manager must inform the Customer periodically on the significant changes in relation to the activities of the Customer and to the Portfolio structure;
- (ix) approve the outsourcing of certain activities, within the limits of the approved budget, respectively delegate the performance of certain activities, subject to the prior endorsement by FSA, where required by applicable legislation;
- (x) based on the proposal of the BoN, submit to the approval of the EGM any agreement / document which may create binding obligations to the Customer (including but not limited to the purchase, sale, conversion or encumbrance of the non-current assets of the Customer) whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
- (xi) entering into any agreement / document which may create binding obligations to the Customer (the purchase, sale, conversion or encumbrance of the non-current asset of the Customer) whose value does not exceed, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables, without prior approval of the OGM or the EGM;
- (xii) subject to the provisions of the Constitutive Act, IPS and applicable legislation, take all decisions at its sole discretion in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of the Customer;
- (xiii) propose to the GSM the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the BoN, as well as approving the procedure of internal audit and the audit plan;
- (xiv) change the location of the registered office of the Customer, with the prior notification of BoN, provided that the registered office shall at all times be registered in Romania;
- (xv) prepare and making available to the BoN the reports, information as well as any other documents necessary for exercising the monitoring duties, as may be required by the BoN in line with the Constitutive Act and the applicable legislation;
- (xv) inform at once the BoN on any litigation or infringement of legislation regarding 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;
- (xvi) ask for the calling of the GSM in order for the latter to decide whenever an issue appears on which the BoN has a disagreement with the Fund Manager, which cannot be resolved amicably by the two bodies; and
- (xvii) propose to BoN the recommendation for the EGM for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration, when it will become necessary that such a company be appointed related to the admission to trading of the Customer on another market than the Bucharest Stock Exchange.
- (xviii) any other responsibilities set according to the Constitutive Act and applicable legislation;

- 6.2. The Fund Manager shall perform its duties under this Management Agreement in line with the Customer's best interest and the highest standards of professional conduct and integrity, including without limitation with respect to responding to public offerings or other corporate actions relating to the securities in the Portfolio.
- 6.3. Without limiting the generality of the foregoing (and so that none of the following provisions shall be deemed to limit the generality of any other of the following provisions), the Fund Manager undertakes to do the following:
- a) at all times make all reasonable efforts to avoid conflicts of interest, provided that the Customer understands that the services the Fund Manager provides to the Customer are not exclusive and that the Fund Manager may provide similar services to other customers. Where a conflict arises, the Fund Manager will promptly disclose this to the Customer and use all reasonable efforts to resolve the conflict fairly;
 - b) will not effect any transaction in relation to the Portfolio knowingly and intentionally acting as agent for any of the Fund Manager's or other clients of its Associated Companies unless the Fund Manager shall have obtained the prior written consent of the Customer to such transaction, having given the Customer all material information relating thereto;
 - c) shall comply with all applicable laws and regulations, including the FCA Handbook (and overseas equivalents) insofar as they are relevant to this Management Agreement, the Fund Manager's performance of its functions under it in any countries in which it performs its duties and carries out its activities pursuant to this Management Agreement and shall procure that all its employees and Delegates, and shall use all reasonable steps to procure that all its agents, shall comply with such laws, regulations and rules as are applicable to them in relation to their involvement with the affairs of the Customer;
 - d) shall not enter into any transaction in relation to the Portfolio where the officers or employees by which the Fund Manager acts for the purposes of this Management Agreement are aware or ought reasonably to be aware that the Fund Manager or any Associated Company has a material interest in such transaction, unless it obtains the prior written consent of the Customer to such transaction, having first given the Customer all material information relating thereto, and for the purposes of this paragraph a material interest means a direct or indirect pecuniary interest, whether present or expected (other than a pecuniary interest consisting of a normal commission, rate or price differential or similar remuneration receivable in the ordinary course of business for effecting securities, deposit or foreign exchange transactions) which might reasonably be expected to influence a person, knowingly having that interest, to enter into or refrain from entering into such transaction;
 - e) shall account to the Customer for all advantages and benefits received from third parties resulting from bulk dealing involving the assets in the Portfolio and other securities and investments as are attributable (using a pro rata basis of calculation) to the assets in the Portfolio; and
 - f) shall account to the Customer for all allowances, rebates, discounts and refunds received (if any) in respect of any transaction involving the assets of the Portfolio from commission brokerage or other charges which are made to the Fund Manager of the Customer in any transaction and will not authorise any other person on behalf of the Customer to retain such.
- 6.4. The Fund Manager shall at all times use reasonable efforts to be expected of a diligent professional investment manager acting in good faith to stay informed of all facts concerning rights arising in respect of securities held in the Portfolio and in this regard shall in particular monitor on a continuing basis all sources of information reasonably available, including without limitation press reports and screen-based information services.
- 6.5. The Fund Manager agrees to communicate whenever necessary or desirable with the Depositary to ensure a full flow of information in respect of rights arising in relation to the securities held in the Portfolio.
- 6.6. All foreign exchange transactions relating to the Account shall be carried out at competitive rates by the Fund Manager using a third party bank (which may include the Depositary, if a bank).
- 6.7. When entering into transactions on behalf of the Customer in accordance with this Clause 6, the Fund Manager will ensure that brokers' and dealers' terms of business and terms and conditions with other third parties entered into with or by the Fund Manager and applicable to transactions in listed securities for the Portfolio (whether or not such terms and conditions are specifically intended to apply to transactions for the Portfolio) do not:

- (a) disapply or waive best execution or other regulatory protections normally applicable to professional clients (as defined in the EU Markets in Financial Instruments Directive) for the Customer;
- (b) confer liens, rights of retention or security over the Portfolio or any assets or monies of the Customer (except (i) in respect of margin for on exchange margined transactions or (ii) in respect of non-fulfilment of the obligations of the Customer under such agreement with brokers and dealers, but only if the part of the Portfolio subject to such liens, rights of retention or security is not disproportionate with the Customer's obligations and it is market practice to confer them or (iii) as otherwise permitted under this Management Agreement and as otherwise consented to in writing by the Customer) or as may be required by applicable laws; or
- (c) allow the Customer's monies or assets to be mixed with, set off against obligations or utilised for the benefit of any other person except where that is in accordance with standard market practice; or
- (d) give any representations or warranties on the Customer's behalf without the Customer's prior written consent other than representations or warranties given in the ordinary course of business and which the Fund Manager has reason to believe are true and correct; or
- (e) confer any onerous and unusual obligations on the Customer.

7. AUTHORIZED TRANSACTIONS

The transactions to be effected in relation to the Portfolio are subject to the legal regulations in force, including the Companies Law no. 31/1990, Law no. 297/2004, GEO no. 32/2012 and secondary regulations issued by the FSA as well as Law no. 247/2005, GEO no. 81/2007, the Constitutive Act of as well as any other applicable legislation.

8. ASSET CUSTODY AND THE DEPOSITARY

- 8.1. The Fund Manager will place the assets of the Customer in custody according to all applicable legal provisions. The Depositary will be appointed by the Fund Manager after consultation with the BoN, with sufficient time in advance, on the identity of the proposed Depositary and the terms and conditions of its appointment.
- 8.2. All payments due for receipt by the Customer, such as dividends, interests, sale proceeds, or any with other title, shall be paid directly to the Depositary and in the Customer's account opened at the Depositary. 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 PERFORMANCE OBJECTIVES. ANNUAL REPORTING

- 9.1. For the duration of the Management Agreement, the Fund Manager must manage the Portfolio in accordance with, and must comply with, all the obligations undertaken under the IPS and seek to achieve the objectives therein, including (without limitation) the Discount Objective and the NAV Objective (together the Performance Objectives). The Customer and the Fund Manager acknowledge and agree that there is no guarantee that the Performance Objectives will be achieved and the Fund Manager does not warrant, undertake or represent that it will achieve them.
- 9.2. For the purpose of reviewing the performance of the Fund Manager each year (including, but not limited to, whether the Performance Objectives have been achieved), each year in October the Customer will hold a GSM starting in October 2015 (the October GSM).
- 9.3. Not later than 30 days before the deadline for publication of the October GSM documentation as required by the law, the Fund Manager must submit to the BoN a report on its activities and performance in the relevant period (the Performance Report). The first Reporting Period shall be 1st October 2014 until June 30 2015 and every subsequent year shall be from 1st July until 30th June of the next year (the Reporting Period).
- 9.4. The Performance Report must include, among others:
 - a) the report on the fulfilment of the Discount Objective (as such term is defined in the IPS);

- b) report on the fulfilment of the NAV Objective (as such term is defined in the IPS);
 - c) summary of the regulatory issues affecting the performance during the Reporting Period;
 - d) summary of market conditions affecting the performance during the Reporting Period;
 - e) such other matters as the Fund Manager wishes to bring to the attention of the shareholders in relation to its activities and performance in the relevant period.
- 9.5. Following receipt of the Performance Report, the BoN must prepare and submit for the information of shareholders at the October GSM a review of the Performance Report (the BoN Review Report), evaluating the performance of the Fund Manager, as well as any other factors that it considers to be relevant for the decision of the October GSM regarding the continuation or termination of the Management Agreement and the Fund Manager's mandate.
- 9.6. The Performance Report, together with the BoN Review Report will be reviewed by the shareholders in the October GSM. The agenda of each October GSM will allow the shareholders the opportunity to vote on (i) the continuation or termination of this Management Agreement and the Fund Manager's mandate, any proposed termination ensuring the simultaneous termination of the Fund Manager's mandate and the Management Agreement and (ii) the procedure for the selection of a new Sole Director and Fund Manager, in case the shareholders vote for the termination of the Management Agreement and of the Fund Manager's mandate. Such procedure will be prepared by the Fund Manager and agreed with the BoN before its inclusion in the language of the draft resolution of the October GSM.

10. FUND MANAGER REMUNERATION AND EXPENSES

As remuneration for its services under this Management Agreement, the Fund Manager shall receive the fees set forth in the Annex to this Management Agreement.

- 10.2. Save as expressly provided otherwise in this Management 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 shall be borne by the Fund Manager.
- 10.3. The Customer shall bear, or shall reimburse the Fund Manager where the Fund Manager has incurred them in advance, the following expenses:
- a) expenses related to the payment of fees owed to the Depositary;
 - b) expenses related to intermediaries;
 - c) expenses related to taxes and fees owed to the FSA or other public authorities, according to the applicable legislation;
 - d) expenses related to the financial audit performed on the Customer 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 the Customer, and any subsequent issues or offerings; expenses with intermediaries and professional advisors in relation to arranging and maintaining the listing; expenses related to investor relations and public relations in the interest of protecting and promoting the Customer's image and that of its securities; expenses related to ongoing reporting and disclosure obligations according to legislation in force;
 - f) expenses related to the organising of GSM and communications with the shareholders and to the payment of fees for registrar services rendered by the Central Depositary;
 - g) expenses related to the payment of taxes and fees owed to the Bucharest Stock Exchange and any other exchange on which the financial instruments of the Customer shall be admitted to trading;
 - h) expenses related to the registration with the Trade Registry or documents issued by the Trade Registry;
 - i) expenses related to the payment of fees owed to the banks for banking services performed for the Customer, with the exception of the expenses mentioned in letter a);
 - j) expenses related to appointing legal advisers and other advisors to act on behalf of the Customer;

- 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 remuneration, transport and accommodation of the members of the BoN (in relation to their services and attendance at meetings, in accordance with the Constitutive Act, the mandate agreements and any applicable internal regulations) and for independent persons (not employees of the Fund Manager or its affiliates) acting as representatives of the Customer on the corporate bodies of companies in the Portfolio, where appropriate;
- m) expenses relating to printing costs for the Customer'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 with an annual value that does not exceed EURO 100,000 related to the activity of the Customer;
- p) other expenses approved by the BoN for the Customer in accordance with the Constitutive Act (if their annual value exceeds EURO 100,000).

10.4. 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:

- (i) expenses in connection with mailing and telephone, except for letters to shareholders;
- (ii) expenses in connection with business travel and accommodation, except the expenses related to all investor relations activities and Board of Nominees meetings;
- (iii) expenses in connection with salaries, bonuses and all other remunerations granted by the Fund Manager to its employees and collaborators;
- (iv) all other expenses necessary to the functioning of the Fund Manager or its Romanian branch.

10.5. In performing its obligations under this Management Agreement, the Fund Manager shall not use Soft Dollar Practices. All transactions in connection to the Portfolio shall be consistent with the principles of best execution.

10.6. Any director's fees and other fees received by the Fund Manager's officers, employees, agents or representatives from any of the Portfolio companies will be either paid over to the Customer or deducted from the management fee. For the avoidance of doubt, the reference to "fees" in the previous sentence does not apply to payments by Portfolio companies to arrange commercially reasonable insurance coverage on behalf of such persons for any liabilities arising from acting as a director or officer of the Portfolio company's board and, where Portfolio companies fail to arrange such insurance, this shall be arranged by the Fund Manager, acting on behalf of the Fund, at the Fund's expense.

10.7. 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.

11. PROVISION OF INFORMATION TO THE CUSTOMER AND ITS REPRESENTATIVES

11.1. In addition to the obligations under clause 9.3., 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. At least twice in a calendar year the Fund Manager will make a presentation to the Customer in respect of the Portfolio for the previous six months and the Customer may request any documents with a view to discussing market factors, the Portfolio and the operation of this Management Agreement.

11.2. The Fund Manager shall provide to the Customer, quarterly and/or upon request, written documents/presentations evidencing the transactions entered into between the Fund Manager, on behalf of the Customer, and third parties in connection with the Portfolio.

11.3. 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 in a monthly report.

- 11.4. The Fund Manager shall supply on demand to the Customer copies of all accounts entries and other records relating to the Portfolio. The Fund Manager will extend its normal working hours as and when reasonably 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, according to the applicable legislation. The scope of the audit shall not be limited by the Fund Manager and may include the examination of the Fund's accounting system, procedures, records, internal controls, and any other documents or information in the Fund Manager's possession to the extent relevant to the Customer (and subject to redaction to the extent required to respect the confidentiality of other clients) that the Customer or the auditor deems necessary acting reasonably to verify 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 and facilitate 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 auditors.
- 11.5. The Fund Manager shall report to the Customer within two business days of its discovery of any non-compliance with / breach of the provisions of this Management Agreement (including the Annex) and shall take all steps required to make good such non-compliance as soon as possible.
- 11.6. The Fund Manager will liaise as necessary with the Depositary to enable the Depositary, 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 Depositary for this purpose.

12. CONFIDENTIALITY AND ACTS WITH FISCAL CONSEQUENCES

12.1. 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 Depositary and any sub-custodian for the assets of the Portfolio; or
- c) reasonably required for the proper performance of the services and for the enforcement of its rights and obligations under this Management Agreement; or
- d) otherwise permitted in writing by the Customer; or
- e) 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.

- 12.2. 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 12.1. 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.
- 12.3. 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 applicable tax legislation. Without prejudice to the generality of the foregoing, the Fund Manager may (i) create any new taxable presence of the Customer, (ii) subject the Customer to new tax filing or reporting obligations, or (iii) expose the Customer to any significant tax charge outside the ordinary course of business, in each case only if the Fund Manager, after due diligence and careful investigation, considers it to be in the best interests of the Customer.

13. TERMINATION

13.1 This Management Agreement may be terminated according to its provisions and the applicable legislation.

13.2. The Customer may unilaterally and at its sole discretion terminate this Management Agreement, at any time, on three months' prior written notice to the Fund Manager, based on an OGM resolution for approving the simultaneous termination of the mandate and of the Management Agreement. For the avoidance of any doubt, termination of the mandate and the Management Agreement in accordance with this clause 13.2 will not entitle the Fund Manager to any Damages or the payment of any amounts other than the fees to be paid in accordance with Clause 13.6 below. This is without prejudice to clause 17.4(c) but, for the avoidance of any doubt, such clause 17.4(c) will never extend to Damages for termination in accordance with this clause 13.2.

13.3 The Fund Manager may terminate this Management Agreement and resign its mandate as Sole Director with six months' prior written notice. Not later than five business days following the Termination Notice Date, but subject to timely approval of the GSM agenda by the BoN, the Fund Manager will call the OGM having on the agenda the approval of the procedure for the selection of a new Sole Director and Fund Manager. Such procedure will be prepared by the Fund Manager and agreed with the BoN before its inclusion in the language of the draft resolution of the OGM.

13.4 The Fund Manager may terminate this Management Agreement and resign its mandate as Sole Director by as much prior written notice to the Customer as is reasonably practicable, if:

- (a) the termination has been required by, or as a result of, a binding decision issued by any competent regulatory authority; or
- (b) if material obligations under this Management Agreement can no longer be fulfilled due to changes in the applicable law compared to the date of signing this Agreement, provided that the Fund Manager has used reasonable endeavours to comply with or (if it is not possible for the Fund Manager to do so) to propose a reasonable alternative arrangement involving an Affiliate which would comply with the relevant law, in accordance with clause 14.3 below, but despite those efforts compliance would not be possible; or
- (c) if the Customer becomes the subject of any definitive winding up order.

13.5 In any event a Termination Notice is sent (except under clause 13.4) or in the event of expiry of 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 New Appointment Date provided that this obligation is subject to the continuing satisfaction of the following conditions:

- (a) the terms of the Management Agreement (including, without limitation, all authorisations from the Customer to the Fund Manager and all terms of remuneration and indemnity in favour of the Fund Manager) shall continue to apply;
- (b) the shareholders at GSM approve resolutions proposed by the Fund Manager to ratify and approve, to the extent legally possible;
- (i) the Fund Manager's mandate as sole director and fund manager of the Customer, with effect until the New Appointment Date and
- (ii) all legal acts (including decisions and contracts) concluded, adopted and issued on behalf of the Customer by the Fund Manager and any implementation acts, facts and operations based on such, including the management of the Customer under a unitary system, but, in each case, without prejudice to any grounds for termination given by the Customer in any prior Termination Notice and to any rights of the Customer under clause 17 hereunder; for the avoidance of any doubt, the condition under this paragraph (b) will not apply in the event that the ratification from the GSM is requested for acts performed by the Manager in breach of its legal and/or contractual obligations as Fund Manager and Sole Director;
- (c) the BoN shall use all reasonable endeavours to ensure that the New Appointment Date occurs as soon as possible; and
- (d) the mandate as Sole Director does not end between the Termination Notice Date and the New Appointment Date, unless such ending is caused by deliberate actions of the Fund Manager, in which case the condition under this paragraph (d) will not apply.

- 13.6 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 and for the Customer to indemnify the Fund Manager in accordance with clause 17.4(c), which, for the avoidance of any doubt, will never extend to Damages for termination in accordance with this clause 13. 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.
- 13.7 In the event a Termination Notice is sent, the Fund Manager shall be paid in respect of its services hereunder on a pro rata basis with the duration of the provision of these services in accordance with clause 13.5 above, in compliance with the Annex to this Management Agreement, up to the New Appointment Date. For the avoidance of doubt, in such a case, the Fund Manager's pro rata remuneration will be for a period of at least 3 months (regardless of whether the New Appointment Date is sooner).
- 13.8 In case of
- (i) fraud, wilful default or negligence by the Fund Manager in performing the obligations assumed under this Management Agreement or
 - (ii) material breach by the Fund Manager of obligations assumed under this Management Agreement that may bring a serious loss to the Customer and that, if capable of remedy, have not been remedied within 10 business days of a notice of breach, this Management Agreement may be terminated by the Customer with full right with immediate prior notice but without any court intervention.
- 13.9 In no circumstances shall the Fund Manager be obliged to continue its mandate as a Fund Manager and compliance with this Management Agreement beyond the date twelve months from the Termination Notice Date, unless otherwise expressly agreed in writing by the Parties or required by law.

14. AMENDMENT OF THE MANAGEMENT AGREEMENT AND ASSIGNMENT OF RIGHTS

- 14.1 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 the GSM and the endorsement of the FSA, if required by applicable law.
- 14.2 This Management Agreement is concluded in consideration of the person of the Fund Manager and is personal to the Fund Manager. The Fund Manager shall not be entitled to assign or to transfer any of its rights or obligations hereunder save as expressly provided herein. The Fund Manager may delegate to a company under the Control of the Fund Manager or its parent company, to perform on its behalf the investment management services which the Fund Manager has agreed to render to the Customer, provided that such performance shall be on the terms and be subject to the conditions contained in this Management Agreement, and without prejudice to the responsibilities of the Fund Manager to the Customer under this Management Agreement. The Fund Manager shall be responsible for the acts or omissions of its Associated Companies in performing such services. Any such delegation by the Fund Manager shall not involve any additional cost to the Customer, unless expressly authorised in writing by the Customer, and the appointment shall be subject to the prior written approval of the BoN and the prior endorsement of FSA where required by applicable legislation. The Fund Manager remains liable towards the Customer with respect to any further sub-delegations.
- 14.3 To the extent that changes in the applicable law or regulation following the signing of this Management Agreement (including, without limitation, the future provisions implementing the Directive 2011/61/EU on Alternative Investment Fund Managers under Romanian legislation) impose requirements on the Fund Manager in the performance of this Management Agreement with which the Fund Manager cannot comply, the Fund Manager undertakes to use reasonable endeavours to continue performance of the services to the extent legally possible and, to the extent not legally possible, to procure that a reputable Affiliate shall agree to provide the same services on substantially the same terms to the Customer. For the avoidance of any doubt, the appointment of such Affiliate, as well as the implementation of any amendments to this Management Agreement or any other alternative arrangement proposed by the Fund Manager are subject to consent by the Customer, at its full discretion and nothing in this Management Agreement shall be construed as an expressed prior consent in this respect.

15. DURATION OF THE AGREEMENT

- 15.1. Subject to the provisions of clause 13, the duration of this Management Agreement and of the Fund Manager and the Sole Director mandates is two years simultaneously starting as of 30 September 2014.

16. COMMUNICATIONS, INSTRUCTIONS, NOTIFICATIONS

- 16.1. Subject to a GSM resolution to the contrary, as regards the relationship between the Customer and the Fund Manager/ Sole Director under or in relation to this Management Agreement, any reference in this Management Agreement to the Customer shall be deemed a reference to the BoN acting as the representative of the Customer towards the Fund Manager/ Sole Director. For the avoidance of doubt, any right or benefit of the Customer under this Management Agreement in relation to or against the Fund Manager/ Sole Directors shall be exercised by the BoN acting in the name and on behalf of the Customer.
- 16.2. All notifications and other communications from the Customer shall be made by BoN to the Fund Manager.
- 16.3. For the purpose of any communication between the Customer and the Fund Manager in relation to this Management Agreement, the Customer shall be represented by BoN.
- 16.4. The Fund Manager shall be entitled to rely on any notification or communication given by the BoN above 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.
- 16.5. All notices or any other communication to be given under this Management Agreement must be in writing, in Romanian or English, and must be: (i) personally delivered; (ii) delivered by fax; (iii) sent by courier with return receipt; or (iv) by e-mail.
- 16.6. The Parties details for transmitting notifications or any other communications related to the present Management Agreement are the following:

If addressed to the Fund Manager:

Address:

Premium Point Building

78-80 Buzzești Street, 7th -8th floor, Bucharest

District 1, Postal Code 011017

Fax: (021) 200 96 31/32

To the attention of: Mr. Grzegorz Maciej Konieczny

If addressed to the Customer:

At the contact details provided by the representative of the Customer appointed in accordance with Section 15.1.

17. PARTIES' LIABILITIES

- 17.1. The Fund Manager is liable for any Damages suffered by the Customer as a result of:
- a) infringement of the applicable legislation;
 - b) infringement of Customer's internal rules, including the investment restrictions under the IPS;
 - c) fraud;
 - d) wilful default in performing the Agreement;
 - e) negligence in the performance of this Management Agreement's obligations; or
 - (f) material breach of the Agreement.

- 17.2. The Fund Manager shall also be liable for the negligence, wilful default, fraud or material breach of this Management Agreement by its Delegates, or its or their employees. As exception, the Fund Manager shall not be liable if it can show that the Damage arose from events beyond its and its Delegates' (or its or their employees') reasonable control provided it maintains reasonable back up and disaster recovery systems. The Fund Manager shall make reasonable efforts to resume normal performance of the services following, and to mitigate the consequences of, an event beyond its and its Delegates' reasonable control.
- 17.3. The Fund Manager shall not be liable for the actions of brokers (not being Associated Companies of the Fund Manager) save to the extent that the Fund Manager has acted negligently in selecting, contracting or monitoring or using such persons. Without prejudice to clause 6.6 above, in selecting a broker for a particular transaction, the Fund Manager shall attempt to obtain best execution for the Customer. 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.
- 17.4. a) The Fund Manager agrees to indemnify and hold harmless each Indemnified Party from and against any and all 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 its or their employees); ii) the breach by the Fund Manager or any of its Delegates (or its or their employees) of any representation or warranty made to the Customer relating to the services hereunder; (iii) the breach or non-fulfilment by the Fund Manager or any of its Delegates (or its or their employees) of any obligation pursuant to this Management Agreement or the investment restrictions under the IPS; (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 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 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 Damages 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) Save to the extent arising from Fund Manager's or its employees' negligence, fraud, wilful default or breach of this Management Agreement, the investment restrictions under the IPS or the applicable legislation or that of any of its employees or Delegates, Associated Companies or their respective employees, the Customer agrees to indemnify the Fund Manager from and against Damages arising from following the Customer's specific instructions (including, for the avoidance of doubt, informed decisions of the GSM in addition to instructions from the BoN), 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 3 business days after becoming aware of the relevant Damage;
 - (ii) the Fund Manager does not make any admission of liability or agree to any settlement or compromise of any claim for which indemnity is sought 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 will provide evidence that it has taken all reasonable steps necessary to mitigate such Damages, including by advising the Customer in writing against such instructions, prior to the notification mentioned at point (i) above.
- 17.5. The Fund Manager will maintain the following insurance:
- a) Professional Liability to provide against, any failure to duly perform this Management if that failure is due to a wrongful act, negligent act, error, omission for an insured amount of at least EUR 50 million;
 - b) Fidelity Bond to provide against any failure to account to the Customer for any money or investments if that failure is due to: (i) 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 for an insured amount of at least EUR 50 Million.

- 17.6. Upon request of the Customer, the Fund Manager shall provide to the Customer evidence that the premium for the insurance described at pt. 17.5 above has been paid.

18. FORCE MAJEURE

18.1 If a party (the "Affected Party") is, or could reasonably be expected to be, materially prevented, hindered or delayed from performing any of its obligations under this Management Agreement by reason of a Force Majeure Event, such obligations of the Affected Party and any corresponding or related obligations of the other party shall remain in effect but shall be suspended without liability and without there having occurred by virtue of the Force Majeure Event a breach of this Agreement for a period equal to the duration of the Force Majeure Event, provided that:

- (i) as soon as reasonably practicable after the start of the Force Majeure Event, to the extent permitted by the applicable law, the Affected Party notifies the other party in writing of the act, event or circumstance relied on, the date on which such act, event or circumstance commenced and the effect of the Force Majeure Event on the Affected Party's ability to perform its obligations under the Management Agreement; and
- (ii) the Affected Party makes all reasonable efforts to mitigate the effects of the Force Majeure Event on the performance of its obligations under this Management Agreement and to the extent permitted by the applicable law furnishes written reports every 10 Business Days to the other party on its progress in doing so, and to the extent permitted by the applicable law provides any information relating to the Force Majeure Event and its effects that the other party may reasonably request.

18.2 Immediately after the end of the Force Majeure Event, the Affected Party, to the extent permitted by the applicable law, shall notify the other party in writing that the Force Majeure Event has ended and shall resume performance of its obligations under this Management Agreement.

18.3 No party shall be released from any of its obligations under this Management Agreement as a result of a Force Majeure Event, including, without limitation, the Customer's obligations to any counterparty or broker for any transaction effected by the Fund Manager pursuant to this Management Agreement, and this Management Agreement shall remain in effect for the duration of the Force Majeure Event.

18.4 If any Force Majeure Event shall substantially impair the ability of the Fund Manager to carry out its duties under this Management Agreement, the Customer shall be entitled to appoint a replacement manager until such event is rectified. If the Fund Manager remains unable to deliver (whether through Delegates or outsourcees or otherwise) substantially all its services under this Management Agreement after three months from the appointment of the relevant replacement manager have elapsed, the Customer shall be entitled to terminate the appointment of the Fund Manager on immediate notice.

18.5 For the avoidance of doubt, no Party may rescind, terminate or treat as void, voidable or unenforceable this Management Agreement on the basis of any non-performance by any other Party arising from a Force Majeure Event.

19. APPLICABLE LAW AND JURISDICTION

19.1. This Management Agreement is governed by and shall be construed in accordance with the laws of England & Wales.

19.2. 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 LCIA (London Court of International Arbitration)

under the LCIA 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 London, the language of the arbitration shall be English, and the tribunal shall consist of three (3) arbitrators appointed in accordance with the LCIA 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 Disputes 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 to achieving the enforcement of its rights.
- 19.3. Notwithstanding the above, the Fund Manager acknowledges that any decision of the Customer to terminate the Fund Manager's mandate as Sole Director will take effect pursuant to the provisions of clause 13.1. above.

20. REPRESENTATIONS

20.1. The Fund Manager represents and warrants to the Customer that:

- (i) the Fund Manager has full power and authority to execute, deliver and to carry out the terms of this Management Agreement and that 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 and has validly opened a branch in Romania with all applicable regulatory approvals and/or passports;
- (iii) the Fund Manager has the legal capacity, as per the law applicable in its home country and Romania, as the case may be, and has received all relevant authorisations and approvals by the relevant authority to provide investment management services of the type contemplated under this Management Agreement 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, Associated Companies, 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, conflicts of interest policies, risk management policies and any other policies or procedures required by the applicable legislation with respect to the activity carried out by the Fund Manager as regards the Customer;
- (viii) the Fund Manager takes investment decisions solely with reference to the interests of its clients;
- (ix) its financial statements are subject to regular audit by financial auditors; and
- (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.

- 20.2. Subject to clause 21.2., 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 Fund Manager will provide on annual basis, within 30 days from the beginning of the calendar year, a list with portfolio managers, the main persons with responsibilities in respect to the Portfolio, and senior staff responsible for setting the business and investment policy within the Fund Manager. In case of a need to change a portfolio manager or a main person with responsibilities in respect of the Portfolio, the replacement shall have equal or superior qualifications and professional experience and similar time allocation for the Customer.
- 20.3. By this Management Agreement, the Customer represents and certifies that it is the legal owner of the assets comprised in the Portfolio, as at the signing date of this Management Agreement.
- 20.4. The Customer warrants that on the date this Management Agreement is signed, the Portfolio is free from any charge, lien, pledge or encumbrance other than those resulting from normal custody and settlement arrangements or through action or omission of the Fund Manager under its previous mandate with the Customer. If the Customer shall create in the future or be informed about the creation of any charge, lien, pledge or encumbrance (other than through action of the Fund Manager) which may affect the Fund Manager's freedom to trade in such securities, it undertakes that it will inform the Fund Manager of such action as soon as reasonably practicable.
- 20.5. The Customer, in the form of its BoN and shareholders, represents that it took all reasonable steps to approve and execute all such documents and to give all authorizations and consents as are reasonably necessary to have the necessary capacity and authority to enter into this Management Agreement. This representation is subject to all information publicly available as regards the corporate decisions taken by the Customer as of its incorporation.

21. TRANSITORY AND FINAL PROVISIONS

- 21.1. If any of the provisions of this Management Agreement is held to be invalid or unenforceable, or impossible to perform, such invalidity, unenforceability or impossibility shall not affect any other provisions of this Management Agreement, and this Management Agreement shall be construed and enforced as if such invalid, unenforceable or impossible to perform provisions had not been included.
- 21.2. For the duration of this Management Agreement and irrespective of any replacement of the Fund Manager to which the Customer may consent, the Fund Manager undertakes (and must ensure that any entity in its group with which the Fund Manager may be replaced undertakes) that (i) it will not, without the prior express written approval of the BoN, change, replace or dismiss, save as a result of misconduct by the employee, Mr. Grzegorz Maciej Konieczny from acting in his capacity as the Fund Manager's and the Sole Director's representative with respect to the Customer, nor do any similar acts or things or do anything which may have a similar effect, and (ii) it will use all reasonable efforts to procure that Mr. Grzegorz Maciej Konieczny must, for the duration of his employment by the Fund Manager (or any replacement to whom investment discretion is allocated) in the course of this Management Agreement, devote the necessary time for the management of the Portfolio.

22. SIGNATORIES

This Management Agreement will be signed in the English language and executed in 3 originals, one for the Fund Manager and two for the Customer. The Fund Manager will prepare Romanian language translations to be submitted with the GSM and the necessary authorities.

Signed by and for the Fund Manager

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED

[...]

Signed by and for the Customer

FONDUL PROPRIETATEA S.A.

[...]

Annex

The fees due to the Fund Manager in accordance with clause 10 of this Management Agreement shall be calculated and paid in RON by the Customer in compliance with the following provisions.

The fee shall be calculated based on a (i) Base Fee, and (ii) a Distribution Fee.

1. The Base Fee is applied to the notional amount according to the following formula:

the Base Fee Rate multiplied by the notional amount, multiplied by the number of calendar days of payment, divided by 365,

where

the Base Fee Rate = 60 basis points per year;

1 basis point = 0.0001; and

the notional amount is the market capitalization of the Customer which is defined as the number of the Customer's paid shares, minus the weighted average number of the Customer's settled own shares held in treasury over the calculation period, then multiplied by the weighted average market price of the Customer's shares calculated for the corresponding quarter. The weighted average market price is computed based on the daily average market prices of the Customer's shares and corresponding daily volumes, as published by Bucharest Stock Exchange REGS section. If the number of shares relevant for the computation of the Base Fee (described above) changes over the calculation period, the Base Fee will be an aggregation of the computation for each sub-period.

2. It is recognized that distributions beneficial to shareholders would reduce the notional amount upon which the Base Fee is calculated; to reward the Fund Manager for arranging such distributions, a Distribution Fee shall be payable as follows:

- 200 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares and returns of share capital) made available up to and including 31 October 2015; and
- 100 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares and returns of share capital) made available from and including 1 November 2015.

Reference is made to distributions being “made available” to clarify that any failure on the part of any shareholder to collect, or to take the necessary steps to facilitate the receipt of, these distributions will not result in any adjustment of the calculation of the Distribution Fee due to the Fund Manager. The calculation of the Distribution Fee shall be made when such distributions become available to shareholders (e.g. payment start date). In case of repurchase of own shares, the calculation of the Distribution Fee shall be made at the date when the own shares repurchase transactions are settled.

3. The Base Fee shall be paid to the Customer 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.

The Distribution Fee shall be paid by the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter in which the relevant date for calculating the distribution amount occurred.

The invoices for the Base Fee and the Distribution Fee shall be submitted to the Depositary of the Customer's assets.

The Fund Manager shall provide to the BoN quarterly and on an annual basis and upon reasonable request of the BoN a detailed report regarding the fees collected under this Management Agreement, in the form reasonably required by the BoN.

4. The payment of fees (Base Fee and Distribution Fee) shall be arranged by the Fund Manager only after the verification and certification by the Depositary of the correctness of the calculation: notional amount, value of distributions, all the other items used in calculation of the fees, as well as the modalities for determining the fees.

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

This Addendum Agreement no. 1 (“Addendum no. 1”) to the Management Agreement no. 45 dated 29 April 2014 signed between FONDUL PROPRIETATEA S.A. and FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED,

This Addendum no. 1 to the Management Agreement is made on 24 September 2014

Between:

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED of the Adelphi, 1-11 John Adam Street, London WC2N 6HT, United Kingdom, acting through its Romanian branch having its registered office at Premium Point, 78-80 Buzesti Str., 7-8th floors, 1st. District, Bucharest, Romania (“Fund Manager”) (“S.A.I.” in Romanian language); and,

FONDUL PROPRIETATEA S.A. of 78-80 Buzesti Street 78-80, 1st District, Bucharest, Romania (the “Customer”),

the Fund Manager and the Customer together, the “Parties”.

The Investment Management Agreement no. 45 signed on 29 April 2014 between the Customer and the Fund Manager, will be modified as follows.

Clause 2. Definitions: “Force Majeure Event” is modified and will have the following content:

“Force Majeure Event means, in relation to any party, any act, event or circumstance, the cause of which is not of such party's making nor within that party's reasonable control, including without limitation (to the extent not of that party's making nor within that party's reasonable control) act of God, war, hostilities (whether or not war has been declared), terrorist acts, acts of any civil or military authority, governmental or regulatory direction or restriction, suspension or withdrawal of licences or consents, currency restrictions, market conditions affecting the execution or settlement of transactions or the value of assets, failure or breakdown in communications, the failure of any relevant exchange or clearing house, riot, insurrection, civil commotion, public demonstration, sabotage, acts of vandalism, fire, flood, earthquake, extreme weather conditions, epidemic or pandemic, explosion, aircraft crashes or things falling from aircraft, release of ionising radiation or contamination by radioactivity, chemical or biological contamination, the order of any court or governmental or regulatory authority, delay in transportation or communications, breakage of or accidental damage to equipment, any strike, lock-out or other industrial trade dispute (not involving solely the employees of that party), structural shift or subsidence”;

Clause 2. Definitions: “New Appointment Date” is modified and will have the following content:

“New Appointment Date means, in relation to the appointment of a new fund manager and sole director, or, in the event the Customer becomes a self-managed fund, new directors of the Customer following termination of this Management Agreement, the later of: (i) the date when the new fund manager and sole director, or, as the case may be, new directors, are registered with the Trade Registry or any other competent authority as per the applicable legal provisions; and (ii) the date when the FSA issues its approval in relation to the appointment of the new sole director and fund manager as the case may be, new directors, and, (iii) the date when all other mandatory legal requirements for the replacement of the Fund Manager have been satisfied, and, in each of the cases under paragraphs (i), (ii) and (iii), being effective on the date that the Fund Manager received notice (or ought reasonably to have received notice) of the event”;

Clause 9.6 is modified and will have the following content:

“9.6. The Performance Report, together with the BoN Review Report will be reviewed by the shareholders in the October GSM. The agenda of each October GSM will allow the shareholders the opportunity to vote on (i) the continuation or termination of this Management Agreement and the Fund Manager’s mandate, any proposed termination ensuring the simultaneous termination of the Fund Manager’s mandate and the Management Agreement and (ii) the start of the procedures set out by the legislation in force for the selection of a new fund manager and sole director or the transformation of the company into a self-managed closed-end fund”.

Clause 13.3 is modified and will have the following content:

“13.3 The Fund Manager may terminate this Management Agreement and resign its mandate as Sole Director with six months’ prior written notice. Not later than five business days following the Termination Notice Date, but subject to timely approval of the GSM agenda by the BoN, the Fund Manager will call the OGM having on the agenda the notification of the shareholders regarding the unilaterally termination of the agreement and the initiation of the procedures set out by the legislation in force for the selection of a new fund manager and sole director or the transformation of the company into a self-managed closed-end fund”.

Clause 13.4 letter b) is modified and will have the following content:

“(b) if material obligations under this Management Agreement can no longer be fulfilled due to changes in the applicable law compared to the date of signing this Agreement, provided that the Fund Manager has used reasonable endeavours to comply with, but despite those efforts compliance would not be possible; or”

Clause 14.3 is modified and will have the following content:

“14.3 To the extent that changes in the applicable law or regulation following the signing of this Management Agreement (including, without limitation, the future provisions implementing the Directive 2011/61/EU on Alternative Investment Fund Managers under Romanian legislation) impose requirements on the Fund Manager in the performance of this Management Agreement with which the Fund Manager cannot comply, the Fund Manager undertakes to use reasonable endeavours to continue performance of the services to the extent legally possible and, to the extent not legally possible, the implementation of any amendments to this Management Agreement is subject to consent by the Customer, at its full discretion and nothing in this Management Agreement shall be construed as an expressed prior consent in this respect”.

Clause 18.4 is modified and will have the following content:

“18.4 If any Force Majeure Event shall substantially impair the ability of the Fund Manager to carry out its duties under this Management Agreement, the Customer shall urgently convene the GSM for the initiation of the legal procedures for the selection of a new fund manager and sole director or the adoption of a resolution regarding the transformation of the company into a self-managed closed-end fund”.

Clause 19.1 is modified and will have the following content:

“19.1. This Management Agreement is governed by and shall be construed in accordance with the Romanian laws”.

Clause 19.2 is modified and will have the following content:

“19.2. 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 Paris Court of Arbitration under its 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 Rules of arbitration of ICC Paris”.

Clause 21.2 is modified and will have the following content:

“21.2. For the duration of this Management Agreement the Fund Manager undertakes that (i) it will not, without the prior express written approval of the BoN, change, replace or dismiss, save as a result of misconduct by the employee, Mr. Grzegorz Maciej Konieczny from acting in his capacity as the Fund Manager’s and the Sole Director’s representative with respect to the Customer, nor do any similar acts or things or do anything which may have a similar effect, and (ii) it will use all reasonable efforts to procure that Mr. Grzegorz Maciej Konieczny must, for the duration of his employment by the Fund Manager in the course of this Management Agreement, devote the necessary time for the management of the Portfolio”.

Clause 22 is modified and will have the following content:

“This Management Agreement will be signed in Romanian and English language and executed in 3 originals, one for the Fund Manager and two for the Customer”.

The provisions regarding Distribution fees/Distributions of the Annex are deleted and the Annex will have the following content:

“Annex

The fees due to the Fund Manager in accordance with clause 10 of this Management Agreement shall be calculated and paid in RON by the Customer in compliance with the following provisions.

The fee shall be calculated based on a Base Fee.

1. The Base Fee is applied to the notional amount according to the following formula:

the Base Fee Rate multiplied by the notional amount, multiplied by the number of calendar days of payment, divided by 365,

where

the Base Fee Rate = 60 basis points per year;

1 basis point = 0.0001; and

the notional amount is the market capitalization of the Customer which is defined as the number of the Customer’s paid shares, minus the weighted average number of the Customer’s settled own shares held in treasury over the calculation period, then multiplied by the weighted average market price of the Customer’s shares calculated for the corresponding quarter. The weighted average market price is computed based on the daily average market prices of the Customer’s shares and corresponding daily volumes, as published by Bucharest Stock Exchange REGS section. If the number of shares relevant for the computation of the Base Fee (described above) changes over the calculation period, the Base Fee will be an aggregation of the computation for each sub-period.

2. The Base Fee shall be paid to the Customer 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.

The invoices for the Base Fee shall be submitted to the Depositary of the Customer’s assets.

The Fund Manager shall provide to the BoN quarterly and on an annual basis and upon reasonable request of the BoN a detailed report regarding the fees collected under this Management Agreement, in the form reasonably required by the BoN.

3. The payment of fees (Base Fee) shall be arranged by the Fund Manager only after the verification and certification by the Depositary of the correctness of the calculation: notional amount, all the other items used in calculation of the fees, as well as the modalities for determining the fees.

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

The other clauses of the Investment Management Agreement no. 45 signed on 29 April 2014 between the Customer and the Fund Manager remain unchanged.

SIGNATORIES

This Addendum will be signed in Romanian and English languages and executed in a number of three (3) counterparts, all of which taken together constitute the agreement, one (1) for the Fund Manager and two (2) for the Customer.

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

Signed by and for:

FONDUL PROPRIETATEA S.A.

Sorin Mindrutescu, Chairman of the Board of Nominees

Signed by and for:

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED UNITED KINGDOM

Konieczny Grzegorz Maciej, Legal

Representative of the Romanian Branch

Annex 8 The Constitutive Act of Fondul Proprietatea in force as at 31 December 2014

CONSTITUTIVE ACT IN FORCE UPDATED AT 23 DECEMBER 2014

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 "closed – end investment company".

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 subscribed share capital of Fondul Proprietatea is in amount of RON 11,815,279,886.85, divided in 12,437,136,723 ordinary, nominative shares, having a face value of RON 0.95/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 meeting 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:
 - a) by issuing new shares in exchange for cash contributions;
 - b) 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 paragraph 2 shall be registered at the Trade Register Office, on the basis of the decision made by the General Meeting 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 meeting of the shareholders, which will decide if Fondul Proprietatea requires to be dissolved. In case the extraordinary general meeting of the shareholders does not decide the dissolution of Fondul Proprietatea, then Fondul Proprietatea is bound to proceed, at the latest by 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 meeting 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 RON 0.95.
- (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 its 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 meeting 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, each share grants one voting right.
- (3) Holding one share implies the rightful adhesion to this constitutive act.
- (4) The rights and obligations follow the shares in case ownership thereof passes to another person.

CHAPTER IV

General meeting of the shareholders

ARTICLE 12

General meetings of the shareholders

- (1) The general meeting of the shareholders may be ordinary and extraordinary.
- (2) The ordinary general meeting 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 and financial auditor;
 - b) to establish the distribution of the net profit and to establish the dividends;
 - c) to appoint the members of the Board of Nominees ("BoN") and to cancel their appointment;
 - d) to appoint the Fund Manager in accordance with the law 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 Board of Nominees, the Fund Manager and of the financial auditor for financial audit services for the ongoing fiscal year;
 - 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 approve the strategies and the development policies of Fondul Proprietatea;
 - j) to establish the annual income and expenditure budget 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 meeting 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 document which may create binding obligations to Fondul Proprietatea including, without limitation to, agreements for purchase, sale or exchange or creation of encumbrances of the non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables;
 - i) change of the management system of Fondul Proprietatea;
 - j) limitation or cancellation of the preference right of the shareholders;
 - k) approves the Investment Policy Statement;

l) any other amendment of the constitutive act or any other resolution requiring the approval of the extraordinary general meeting of the shareholders, according to applicable law or to this Constitutive Act.

ARTICLE 13

Summoning the general meeting of the shareholders

- (1) The general meeting of the shareholders is called by the Fund Manager whenever required. Prior to the convocation of the general meeting of the shareholders, the Fund Manager shall communicate to the Board of Nominees the intention to call the general meeting and shall introduce on the list of matters for the meeting all matters requested by the Board of Nominees.
- (2) The ordinary general meeting of the shareholders meets at least once a year, within 4 months from the end of the financial year.
- (3) The date of the meeting may not be less than 30 days from the publication of the convocation in the Official Gazette of Romania, Part IV.
- (4) The general meeting 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 meeting.
- (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 Board of Nominees, the annual financial statements, the annual report of the Fund Manager, the report of the Board 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 meeting, 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 meeting of the shareholders, as well as the agenda, expressly mentioning all matters that will be subject to debate. Upon calling the general meeting 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 Board 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 Board of Nominees is available to the shareholders, to be further reviewed and completed by shareholders.
- (9) The notice for the first general meeting of the shareholders may provide also 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 cannot take place if the quorum is not being met.
- (10) The general meeting of the shareholders shall meet at the headquarters of Fondul Proprietatea or in another place indicated in the notice.
- (11) The Board of Nominees may request to the Fund Manager the calling of the general meeting, and if the Fund Manager does not observe the written request of the Board of Nominees within 5 working days from receiving it, the Board of Nominees may call upon the general meeting of the shareholders by following the same procedures as set out in this Article.
- (12) The chairperson of Board of Nominees may request to the Fund Manager the calling of the general meeting according to article 16 paragraph (4) second sentence.

- (13) The Fund Manager immediately call the general meeting 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 meeting of shareholders.
- (14) In the case provided by paragraph (13), the general meeting 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 meeting of shareholders, the shareholders who requested the calling of the general meeting may request the same to the Board of Nominees. Should the Board 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 meeting by the shareholders which formulated the request

ARTICLE 14

Organization of the general meeting of the shareholders

I. Quorum and voting rights

- (1) Upon the first calling, for the validity of the deliberations of the ordinary general meeting of the shareholders it is required that the shareholders representing at least a fourth of the total shares with right to vote to attend. The decisions of the ordinary general meeting of the shareholders are taken with the majority of votes.
- (2) In case the ordinary general meeting 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 meeting 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 meeting 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) The attendance of shareholders representing at least 50% of the total number of the voting rights, both at the first and the second convocation, is required for the validity of deliberations of the extraordinary general meeting of the shareholders to adopt a decision regarding:
- (i) a share capital increase,
 - (ii) the anticipated dissolution of Fondul Proprietatea, made under the conditions of the law.
- (5) For the validity of the deliberation of the extraordinary general meeting of shareholders regarding a share capital decrease, the attendance of the shareholders representing:
- (i) at least a fourth of the shares having voting rights upon the first convocation, and
 - (ii) at least one fifth of the total number of the shares having voting rights, upon the second convocation is required.
- (6) 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

- (7) On the day and hour established in the convocation, the general meeting of the shareholders shall be opened by the permanent representative of the Fund Manager or, in its absence, by the one holding its place. A legal representative of the Fund Manager or a person appointed by the legal representative of the Fund Manager shall be the chairman of the meeting. The members of the Board of Nominees shall participate at the meetings, as well.
- (8) The general meeting 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 fulfillment of the formalities requested by law and by the constitutive act for holding the general meeting of the shareholders.
- (9) A minute of the meeting, signed by the president and by Secretaries, shall determine the fulfillment of the calling formalities, the date and place of the general meeting of the shareholders, attending shareholders, the members of the Board 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.
- (10) The documents referring to the convocation and the shareholders' attending list shall be attached to each minute.
- (11) The permanent representative of the Fund Manager may appoint, from amongst the employees of Fund Manager, one or more technical secretaries, to fulfill their duties according to the legal provisions.
- (12) The decisions of the general meetings 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 meetings of the shareholders' register.
- (13) Considering the extremely large number of shareholders of Fondul Proprietatea the shareholders may participate in person, by proxy with a special power of attorney or may express their voting right by correspondence or by electronic voting; the procedures and forms for the proxy, correspondence and electronic voting shall be set by the Fund Manager, in accordance with the applicable legislation and are made available to the shareholders at least by the date of publishing of convening notice for general meeting of shareholders.
- (14) 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 meeting of the shareholders is calculated by including the votes deemed validly sent by correspondence.
- (15) 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.
- (16) 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 meetings of the shareholders.
- (17) 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 meeting 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 30 days prior to the date provided for holding the meeting. In the case the calling of the general meeting is made by the Board of Nominees, the Fund Manager has the obligation to fulfill all the above-mentioned formalities at the request of the Board of Nominees. In case the communication with the shareholder is not realized in this way, for objective reasons, the Board 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 public on the website of Fondul Proprietatea, in accordance with the applicable legislation.
- (18) In the ads informing on the convocation of the general meeting 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 by 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 meeting is made at the request of the Board of Nominees the above mentioned duties shall be fulfilled by the Board of Nominees. The deadline by 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 meeting of the shareholder by at least 48 hours.

- (19) The votes of the shareholders will be sent electronically or by letter to the headquarters of Fondul Proprietatea, in a clear and precise form, noting "for", "against" or "abstained" in relation to each issue subject to approval for which the shareholder intends to cast a vote.
- (20) The votes transmitted electronically 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 meeting of the shareholders

- (21) The shareholders may be represented in each general meeting by other shareholders or by third parties subject to evidence that voting authority has been delegated by the shareholder for that particular general meeting.
- (22) The decisions of the general meetings of the shareholders are taken by open vote, except for the cases the law or this constitutive act does not provide differently.
- (23) Only the shareholders registered in the company shareholders' register at the reference date established by the Fund Manager or the Board of Nominees, as the case may be, when calling the general meeting of the shareholders shall be entitled to participate to the meeting and vote after proving their identity.
- (24) Secret vote is compulsory for electing and revoking the Fund Manager, the members of the Board of Nominees, the financial auditors and for taking some measures/decisions regarding the liability of the Fund Manager or of the members of the Board of Nominees and of the financial auditors of Fondul Proprietatea.
- (25) The procedures referring to the secret vote, where applicable will be approved by the Fund Manager and will be made public on the website of Fondul Proprietatea at the date of convening notice at least by the date of publishing of convening notice for general meeting of shareholders.
- (26) The decisions of the general meeting of the shareholders are binding for all shareholders, even for the absent shareholders or who voted against or abstained.
- (27) 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 meeting of the shareholders.

CHAPTER V

The Board of Nominees

ARTICLE 15

Organisation

- (1) The ordinary general meeting of the shareholders shall appoint the Board 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 Board of Nominees. The members of the Board 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 Board 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 Board of Nominees are made to the advantage of the shareholders.
- (3) The mandate of the members of the Board of Nominees is of 3 years, period to be extended by right, by the first meeting of the General Meeting of the Shareholders.

- (4) The Board of Nominees elects from amongst its members a chairman of the Board.

ARTICLE 16

Functioning

- (1) The meetings of the Board of Nominees are held at least once every quarter, however they may be called upon whenever needed. The call for the meeting of the Board of Nominees is made by the chairman, any of its members or upon the request of the Fund Manager. The Board of Nominees shall meet in at most 7 days as of the calling.
- (2) The Chairperson of the Board of Nominees or, during his absence, a member of the Board of Nominees appointed through vote by the other members to chair the meeting, ensures the proper development of the meetings. The meetings of the Board of Nominees shall be held at the headquarters of Fondul Proprietatea or at such other location as may be agreed among the members of the Board of Nominees.
- (3) The Board of Nominees takes valid decisions provided the absolute majority of its members. The members of the Board of Nominees may be represented to the meetings of the Board of Nominees only by other members of the Board 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 Board of Nominees may represent only one absent member. The decisions of the Board 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 Board 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 Board of Nominees shall give notice for a second meeting of Board 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 Board of Nominees shall ask Fund Manager to convoke the general meeting 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 Board of nominees will be in his right to convoke the general meeting.
- (5) In case of vacancy of the seat of one or more members of the Board of Nominees, the general meeting of the shareholders shall immediately convoke for the appointment of new members. For the period in time by the decision of the general meeting, the other members of the Board of Nominees will nominate members ad interim to fulfil the vacant positions. The decision of the Board 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 Board of Nominees

The Board 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 meeting of the shareholders requests, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the general meeting 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 meeting 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 meeting;
- (4) Receives from the Fund Manager for analysis the annual report and the management policy of Fondul Proprietatea and presents an opinion to the Fund Manager and to the general meeting of the shareholders regarding such;
- (5) Receives from the Fund Manager for analysis the yearly income and expenditure budget before it is submitted to the approval of the general meeting of shareholders and presents an opinion to the Fund Manager and to the general meeting of the shareholders regarding such;

- (6) Receives from the Fund Manager for analysis the strategy in accordance with the Fondul Proprietatea's investment policy before to be submitted to the approval of the general meeting of the shareholders and presents an opinion to the Fund Manager and to the general meeting 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 meeting of the shareholders for the conclusion of the financial audit agreement and presents an opinion to the Fund Manager and to the general meeting of the shareholders;
- (9) Reviews on a regular basis the investment policy of Fondul Proprietatea and presents an opinion to the general meeting of the shareholders as any time it deems necessary, but in any case, at least once a year to the annual ordinary meeting;
- (10) Receives the report of the internal auditor and presents an opinion to the Fund Manager and to the general meeting 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 transactions occurring in the Fondul Proprietatea portfolio for the period under review;
 - the total profit of the portfolio and comparison of profit with the appropriate market benchmark;
 - comparison of the obtained profit with the initial objective;
 - the extent of compliance with the investment policy, as well as any variations and actions taken to get the correct results;
 - the performance evaluation report.

The Board of Nominee shall draft and present to the general meeting of the shareholders an annual report regarding the monitoring activity performed or a monitoring report for another period agreed by the general meeting of shareholders;

- (12) Represents the general meeting 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 meeting 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 meeting of the shareholders;
- (14) Under the conditions of art. 13 paragraphs (11) and (14) calls upon the general meeting of the shareholders;
- (15) Participates to the meetings of the general shareholders' meetings 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 meeting of the shareholders the prior approval or rejection of any contract/document which may create binding obligations to Fondul Proprietatea, including without limitation buying, selling, exchanging, pledging of non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables;
- (17) Recommends to the General Meeting of the Shareholders the termination of the management contract for the case when the Board of Nominees is considered is to the benefit of the shareholders.
- (18) Recommends to the general meeting of the shareholders on any other issues the Board of Nominees is considered relevant to the shareholders.
- (19) Following of proposal of Fund Manager, recommends to the Extraordinary General Meeting 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.

- (20) Approves the delegation by the Fund Manager of certain activities. The delegation will be in force after the approval of NSC, where required by legislation in force.
- (21) Is responsible for monitoring the Fund Manager performance of the Investment Management Agreement.

ARTICLE 18

The obligations of the members of the Board of Nominees

- (1) The members of the Board of Nominees have diligence and loyalty duties towards the shareholders of Fondul Proprietatea.
- (2) The members of the Board of Nominees are held liable towards the general meeting of the shareholders of Fondul Proprietatea, in accordance with the mandate rules. The decisions of the members of the Board 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 Board 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 Board 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 Board of Nominees, who acknowledges that in a certain operation, his/her wife or husband, relative or related persons by 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 Board 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 Board of Nominees or to the persons mentioned in paragraph (5);
 - b) the granting by a member of the Board 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 Board 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 Board 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 Board 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 Board 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 by the 4th grade inclusive of the members of the Board 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 Board 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 United Kingdom Bucharest Branch, with headquarters in Bucharest, 78-80 Buzesti street, floors 7-8, district 1, fiscal registration no. 25851096, registration number at Trade Registry J40/8587/2009, legally represented by Grzegorz Maciej Konieczny, Polish citizen, born on 22.11.1970 at Slupsk, Poland, with home address in Poland, identified with identification documentation issued by Polish Authorities on 14.05.2009, with valability date by 14.05.2019, with personal identification number 7011220001 and by Adrian Cighi, Romanian citizen, with home address on Bucharest, 57 Aron Cotrus street, D Entrance, 5 floor, ap. D31, district 1, identified with ID RT number 768358 issued by S.P.C.E.P. District 1 on 18.05.2011, valid by 10.08.2021, with personal identification number 1830810314000 and by Oana - Valentina Truța, Romanian citizen, domiciled in Bucharest, 46-58 Liviu Rebreanu street, Block III, E Entrance, Ap. 5, 3rd District, identified with Identity Card series RX number 550763 issued by S.P.C.E.P 3rd district on 21.08.2014, valid by 20.08.2024, having as Personal Identification Number 2800820260032, 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 meeting of the shareholders, with the observance of the legal provisions and of this constitutive act.
- (3) The mandate of the Fund Manager is of 2 years. The Fund Manager will call an Ordinary General Meeting of the Shareholders to be held at least 6 months before the termination of the duration of the mandate of the Fund Manager with the agenda of approving the renewal of the Fund Manager's mandate or starting the selection process of a new Fund Manager and the negotiation of the management agreement to be concluded with the selected candidate. After the selection of the candidate, the Fund Manager will immediately call an Ordinary General Meeting of the Shareholders with the agenda of appointing the selected candidate as Fund Manager and authorizing the execution of the relevant investment management agreement and fulfilment of all relevant formalities for the authorization and legal completion of such appointment.
- (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 professional liability insurance.
- (5) The Investment Management Agreement can be modified or replaced in accordance with article 12 and 14, with the approval of the shareholders. Any replacement document or addendum of the Investment Management Agreement will be signed on behalf of Fondul Proprietatea by the chairman of the Board of Nominees or by a member of the Board of Nominees empowered by the chairman.

ARTICLE 20

Functioning

The Fund Manager shall appoint a natural person as its permanent representative. The Fund Manager can make changes of its permanent representatives (that are the legal representatives and managers of the Fund Manager), with the prior authorisation of NSC. All changes will be registered at Trade Register.

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 meeting 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 meeting of the shareholders and the monitoring of the Board 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 meeting, under the law, and draft the text of the announcement on the convocation of the general meeting, after obtaining the prior approval of the Board of Nominees and after it added to the agenda the matters requested by the Board of Nominees;
 - ii) upon the written request of any shareholder submitted before the date of the general meeting of the shareholders, to give responses after obtaining the prior approval of the Board 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 meeting shall be given to them and also, after the announcement of the ordinary annual general meeting 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) prepare the annual financial statements, draft the annual activity report, examine the financial auditors' report, present them to the Board of Nominees before submitting such documents to the general meeting of the shareholders and make proposals on the distribution of the profit to the general meeting of the shareholders, after obtaining the prior approval of the Board of Nominees;
 - v) manages 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 meeting of the shareholders;
 - vii) proposes for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders, of the yearly income and expenditure budget and business plan;
 - viii) propose for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea; it is responsible for the implementation 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 Board 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 prior endorsement of the NSC, where required by applicable legislation,
 - x) based on the proposal of the Board of Nominees to submit to the approval of the extraordinary general meeting of the shareholders any agreement / document which may create binding obligations to Fondul Proprietatea, including but not limited to the purchase, sale, conversion or encumbrance of the non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables;
 - xi) to enter into any agreement / document which may create binding obligations to Fondul Proprietatea, including the purchase, sale, conversion or encumbrance of the non-current assets of Fondul Proprietatea whose value does not exceed, either individually or cumulated, during a financial year, 20% of the total value of the non-current assets, less any receivables, without the approval of the ordinary or extraordinary general shareholders meeting;
 - xii) propose to the ordinary general meeting of the shareholders the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees, as well as approve the procedure of internal audit and the audit plan;

- xiii) decide the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;
- xiv) make available to the Board of Nominees the reports, as well as other necessary documents for exercising the monitoring duties, in accordance with art. 17 paragraph (11);
- xv) inform at once the Board 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.
- xvi) ask for the calling of the general meeting which shall decide properly whenever an issue appears on which the Board of Nominees has a disagreement with the Fund Manager, which can not be resolved amiably.
- xvii) proposes to Board of Nominees the recommendation for the Extraordinary General Meeting of the Shareholders for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration , when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.

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 Board 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 by 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

- (1) The financial statements of Fondul Proprietatea are subject to financial audit. Also, Fondul Proprietatea shall organise its internal audit in accordance with the legal provisions in force.

- (2) 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.
- (3) The internal audit is independent of the management of Fondul Proprietatea, and the internal auditors shall objectively exercise this activity.
- (4) The internal audit shall evaluate and shall propose the improvement of the risk management, the control and internal rules within Fondul Proprietatea.
- (5) The internal auditors shall not be subject of any interference in determining the purpose of the internal audit and in exercising their activity.
- (6) The internal auditors shall have an impartial, correct attitude and shall avoid the conflicts of interest.
- (7) The internal audit shall transmit the plans of the internal audit activity and the necessary resources, inclusive the significant interim changes, to the Board of Nominees for information, as well as to Fund Manager for approval within the limits of its competencies.
- (8) 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 meeting of the shareholders.
- (9) 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.
- (10) The internal audit shall give quarterly reports to the Board 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.
- (11) 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 meeting of the shareholders if the Fund Manager has accepted the reported significant risks.
- (12) The internal audit shall establish the procedures for monitoring the implementation of the measures taken by the management of Fondul Proprietatea.
- (13) The internal auditors shall notify the Board 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 meeting of the shareholders.
- (14) The internal auditors shall take into consideration the complaints of the shareholders when drafting the reports addressed to the general meeting of the shareholders.
- (15) 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 legal provisions in force.

ARTICLE 28

Calculation and distribution of the profit

- (1) The result of the financial year is determined at the end of the year 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 meeting of the shareholders and to the legal provisions in force.
- (3) Fondul Proprietatea creates legal reserves and other reserves, 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 meeting 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 meeting 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) by decision of the extraordinary general meeting of the shareholders, in accordance with article 14 paragraphs (4) and (5);
 - 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 meeting 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 of Fondul Proprietatea cannot take place before the finalisation of the procedures for granting indemnities to the rightful persons.
- (3) 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 legal provisions in force.

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) Fondul Proprietatea shall be subject to the investment restrictions provided under 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 as well as any other applicable law or regulation.
- (3) Subject to the terms of this Constitutive Act, of the IMA and the applicable law, all decisions in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of Fondul Proprietatea shall be at the sole discretion of the Fund Manager.
- (4) Prudential rules concerning the investment policy will be by approved by the shareholders through Investment Policy Statement.
- (5) Fondul Proprietatea will not engage in any "raising of capital" activities, within the sense of Article 4 (1) (a) (i) of EU Directive 2011/61 as detailed by European Securities and Markets Authority's related guidelines and interpretations, save for the situation where such would be imposed under Article 10 para. (2) of Law no. 247/2005, with further amendments and supplements.

ARTICLE 35

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 36

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 meeting 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 37

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 38

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 9 Major contracts concluded by Fondul Proprietatea during 2014

Annex 9.1.Tender Offer Document

TENDER OFFER DOCUMENT

Issuer:

Fondul Proprietatea SA

Price of _____ lei (RON)/share
during _____ - _____

Bidder:

Fondul Proprietatea SA



Intermediary

RAIFFEISEN BANK S.A.



THIS OFFER IS ADDRESSED ONLY TO SHAREHOLDERS OF FONDUL PROPRIETATEA, IN
ACCORDANCE WITH REGULATIONS IN FORCE

APPROVED BY THE FINANCIAL SUPERVISORY AUTHORITY ("FSA") BY DECISION
_____ DATED _____

THE AUTHORIZATION ENDORSEMENT ON THE OFFER DOCUMENT SHALL NOT BE CONSTRUED AS A GUARANTEE NOR REPRESENTS OTHER FORM OF APPRECIATION BY THE FSA WITH RESPECT TO THE OPPORTUNITY, ADVANTAGES OR DISADVANTAGES, PROFIT OR RISKS THAT MAY BE IMPLIED BY THE TRANSACTIONS TO BE CARRIED OUT IN CONNECTION WITH THE TENDER SUBJECT TO THE AUTHORIZATION DECISION; THE AUTHORIZATION DECISION CERTIFIES ONLY THE COMPLIANCE OF THE OFFER DOCUMENT WITH THE LEGAL REQUIREMENTS AND THE NORMS ADOPTED FOR THE APPLICATION THEREOF.

NOTE

NOT FOR DISTRIBUTION TO ANY PERSON RESIDENT OR LOCATED IN A RESTRICTED JURISDICTION.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or what action you should take, you should consult a person authorised under the Capital Markets Law no. 297/2004, as amended, or if you are resident outside Romania, a person authorised by the appropriate regulator in your jurisdiction, who specialises in advising on the acquisition of shares and other securities before taking any action. The whole of the text of this document should be read carefully.

The main purpose of this document is to provide general information in order to assist Shareholders to form an opinion regarding the tender offer to be launched by the Bidder in respect of the shares issued by the Issuer (as detailed in this document).

This Offer Document has not been prepared with the intent to be the sole basis for assessing the Issuer and making the decision to sell. Also, this Offer Document must not be interpreted as the Intermediary's or the Bidder's or the Issuer's recommendation to sell. Each Shareholder must independently assess the Issuer and the proposed Offer. Each Shareholder is advised to consult with its own legal, financial, tax or other advisors, and with its accountants or other consultants with respect to legal, tax, business and financial issues or with any issue dealing with the decision to sell its shares, the Issuer and the Intermediary declining any liability with respect to such issues.

This document constitutes the English version of the Offer Document approved by the FSA by Decision no. _____ dated _____. This translation of the Offer Document from Romanian to English language is not an official translation and is made available for information purposes only, prepared solely for the convenience of the non-Romanian speaking shareholders of Fondul Proprietatea SA and potential investors and is not a substitute for the original Romanian version of the Offer Document. This translation is not required by any law or regulation and hence has not been reviewed or approved by the FSA. The accuracy or completeness of this translation is not guaranteed. In the event of any inconsistencies between this English translation and the Romanian version, the Romanian version shall prevail.

Restricted Jurisdictions

*The availability of the Offer to persons who are not resident in Romania may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves about and observe any applicable legal or regulatory requirements of their relevant jurisdiction. Unless otherwise permitted by applicable law and regulation, the Offer is not being and will not be, made, directly or indirectly, in or, into, and will not be capable of acceptance from or within any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure for the Bidder if information or documentation concerning the Offer is sent or made available to the Shareholders in that jurisdiction (the „**Restricted Jurisdiction**”). Accordingly, copies of this document, the Subscription Form and any other accompanying document are not being, and must not be, directly or indirectly mailed or otherwise forwarded, distributed or sent in, into or from Restricted Jurisdiction. Persons receiving this document, the Subscription Form (including custodians, nominees and trustees) should observe these restrictions and must not mail or otherwise distribute or send them in, into or from any such jurisdictions as doing so may be a breach of applicable law and regulation in that jurisdiction and may invalidate any purported acceptance of the Offer. Any person (including custodians, nominees and trustees) who would, or otherwise intends to, or may have a legal or contractual obligation to, forward this document, the Subscription Form and/or any related document to any jurisdiction outside Romania, should inform themselves and observe any applicable legal or regulatory requirements of any relevant jurisdiction and seek appropriate advice.*

The Issuer's activity, financial condition, financial results obtained and the information included in the Offer Document may subsequently change. Fondul Proprietatea both in its quality as Bidder and as Issuer and the Intermediary undertakes no obligation to update or revise the information contained in this Offer Document.

Publication

A copy of this document is and will be available free of charge, subject to restrictions relating to persons

resident in any Restricted Jurisdiction:

- a. on paper, free of charge, at Raiffeisen Bank office, in Calea Floreasca 246D, Office Building, Bucharest, 1st District, postal code 014476, fax 021.230.06.84 and at the Bidder's registered office, respectively 78-80 Buzesti Street (7th floor), District 1, Postal Code 011017, Bucharest, Romania, telephone 021.200.96.00, starting with the date of publication of the Offer announcement and*
- b. in electronic form, by posting on the website of the Bucharest Stock Exchange (www.bvb.ro), on the website of the Intermediary Raiffeisen Bank (www.raiffeisen.ro), as well as on the Bidder's website (www.fondulproprietatea.ro).*

The tender offer (hereinafter called “**Public Offer**” or “**Offer**”) is initiated by **Fondul Proprietatea S.A.**, a company established and operating according to the Romanian law, with the registered office in 78-80 Buzesti Street (7th floor), District 1, Postal Code 011017, Bucharest, Romania, registered at the Trade Registry J40/21901/2005 (hereinafter called “**Bidder**” or “**Fund**”), through **Raiffeisen Bank S.A.** (“**Raiffeisen Bank**”) with the registered office in Sky Tower building located at 246C Calea Floreasca, 1st District, Bucharest, postal code 014476, registered at the Trade Registry under no. J40/44/1991, unique registration code 361820, registered in the Bank Registry under no. RB-PJR-40-009/1999, in FSA Registry under no. PJR01INCR/400009 and at the Register of personal data operators under no. 1967 and 189, acting as intermediary in connection with the Offer (hereinafter called “**Intermediary**”), and targets the acquisition of a number of 750,000,000 shares of **Fondul Proprietatea S.A.**, as issuer of the shares subject to the Offer (in this capacity, hereinafter called “**Issuer**”) fully paid that are not owned by the Bidder, according to the provisions specified below. This tender offer document (hereinafter called “**Offer Document**”) was approved by the Financial Supervisory Authority (hereinafter called “**FSA**”) by decision ____/_____.

1. ISSUER IDENTIFICATION

The target company under the Public Offer is Fondul Proprietatea SA, identified according to the following data:

• Legal form:	Joint stock company, registered and operating under Romanian law
• Registered office:	78-80 Buzesti Street (7th floor), District 1, Postal Code 011017, Bucharest, Romania
• Fiscal code:	18253260
• Registration number at the Trade Registry:	J40/21901/2005
• Main object of activity:	NACE code 6430 - financial investments
• Share capital:	Subscribed share capital (as registered in the trade registry, as at 17.10.2014): RON 11,815,279,886.85, divided into a number of 12,437,136,723 ordinary registered shares, issued in a dematerialized form, each share having a nominal value of RON 0.95 and granting equal rights to its owner.

The share capital of the Fund as registered on the date of this Offer Document in the shareholders’ registry kept by the Central Depository is RON 12,861,183,036.65 divided into a number of 13,538,087,407 shares, each with a nominal value of RON 0.95 (hereinafter, the “**Initial Share Capital**”).

Following the endorsement by the FSA of the share capital reduction approved by the Fund’s shareholders by way of decision no. 7 of 28.04.2014 (from RON 12,861,183,036.65 to RON 11,815,279,886.85 by way of annulment of a number of 1,100,950,684 shares with a nominal value of RON 0.95/share), the Fund has registered with the trade registry the reduced share capital and as at 17.10.2014 the share capital of the Fund as registered with the trade registry was as follows (“**Reduced Share Capital**”):

- Subscribed share capital – RON 11,815,279,886.85;
- Paid up share capital – RON 11,469,656,813.90;
- Number of shares – 12,437,136,723;
- Nominal value per share – RON 0.95.

The share capital reduction will be registered with the shareholders' registry kept by the Central Depository, after the issuance of the securities registration certificate corresponding to the Reduced Share Capital.

Based on the Initial Share Capital, the synthetic structure of Issuer's shareholders on 13 October 2014, provided by the Central Depository was the following:

Shareholder's name	No. of shares	Participation (%)
MANCHESTER SECURITIES CORP.	2,087,618,216	15.4203%
FONDUL PROPRIETATEA SA	1,377,638,940	10.1760%
OTHER SHAREHOLDERS	10,072,830,251	74.4037%
TOTAL	13,538,087,407	100%

As of 25.01.2011, the shares issued by the Issuer are admitted to trading on the spot regulated market operated by the Bucharest Stock Exchange (the "**BSE**"), tier I under ticker FP and having ISIN ROFPTAACNOR5.

The following chart shows the evolution of the share price of FP, expressed in RON, during the last 12 months prior to submitting the Public Offer documentation with the FSA for approval:



Source: BVB site

The closing price of the shares issued by the Issuer's on the trading date immediately preceding the date of submission of this Offer Document with the FSA was of 0,8950 RON/share, price established on October 17th, 2014.

2. BIDDER'S IDENTIFICATION

A. Information on Bidder

The Bidder is Fondul Proprietatea SA, identified with the following data:

• Legal form:	Joint stock company, registered and operating under Romanian law
• Registered office:	78-80 Buzesti Street (7th floor), District 1, Postal Code 011017, Bucharest, Romania
• Sole registration number:	18253260
• Registration number at the Trade Registry:	J40/21901/2005
• Object of activity:	NACE code 6430 - financial investments
• Share capital:	Subscribed share capital (as registered in the trade registry, as at 17.10.2014): RON 11,815,279,886.85 , divided into a number of 12,437,136,723 ordinary registered shares, issued in a dematerialized form, each share having a nominal value of RON 0.95 and granting equal rights to its owner.

Based on the Initial Share Capital, the synthetic structure of Bidder's shareholders on 13 October 2014, as provided by the Central Depository, was the following:

Shareholder's name	No. of shares	Participation (%)
MANCHESTER SECURITIES CORP.	2,087,618,216	15.4203%
FONDUL PROPRIETATEA SA	1,377,638,940	10.1760%
OTHER SHAREHOLDERS	10,072,830,251	74.4037%
TOTAL	13,538,087,407	100%

B. Bidder's Presentation

- The Bidder was incorporated on 28 December 2005 as a joint stock company and was subsequently authorized by the National Securities Commission as a closed-end investment company. The Fund is registered with the FSA as other undertakings for collective investment under number PJR09SIIR/400006/18.08.2010.
- The Fund's investment objective is the maximization of returns and per-share capital appreciation.
- The sole director and fund manager of the Fund is Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch ("**Fund Manager**" or "**FTIML**").
- Since 25 January 2011 the Fund's shares are admitted to trading on the spot regulated market operated by the Bucharest Stock Exchange.

Information about the Bidder	
Listing	Bucharest Stock Exchange
Since	25 January 2011
Ticker	FP
Bloomberg	FP RO
Reuters	FP.BX
ISIN	ROFPTAACNOR5
FSA Registration No	PJR09SIIR/400006/18.08.2010
Securities Registration No	AC-4025-1/12 August 2014

Contact Details

Address: 78-80 Buzesti Street (7th floor), District 1,
Postal Code 011017, Bucharest, Romania.
Web: www.fondulproprietatea.ro
E-mail: investor.relations@fondulproprietatea.ro
Telephone: +40 21 200 9600
Fax: +40 21 200 9631/32

3. IDENTIFICATION OF PERSONS ACTING IN CONCERT WITH THE BIDDER

The Bidder is not aware of the existence of other persons acting in concert with it in relation to the Issuer.

4. NUMBER OF THE ISSUER'S SHARES HELD BY THE BIDDER

The Bidder holds directly a number of 1,377,638,940 shares issued by the Issuer, representing 10.1760% of the Issuer's Initial Share Capital (subscribed) as at 13 October 2014, in accordance with the Registry excerpt provided by the Central Depository and statement of account provided by BRD Groupe Société Générale, the Bidder custodian .

5. NUMBER AND CLASS OF SHARES SUBJECT TO THE PUBLIC OFFER

The Bidder intends to acquire through the Public Offer a number of 750,000,000 fully paid shares issued by the Issuer (which do not include shares already owned on the date of this Offer Document) (the “**Offered Shares**”). The Public Offer is addressed to all natural and legal persons other than the Bidder holding shares issued by the Issuer during the Offer Period (the “**Shareholders**”).

The acquisition by the Bidder of Offered Shares in the Public Offer has been authorized by the resolution of the extraordinary general shareholders' meeting of the Bidder no. 9 dated 28 April 2014 published with the Official Gazette of Romania Part IV no. 2995 dated 27.05.2014 and is part of the programme for the buy-back of own shares the purpose of which is the decrease of the Bidder's share capital.

After the closing of the Public Offer, the Bidder intends to cancel the acquired shares and decrease its share capital with the corresponding nominal value of the cancelled shares.

6. PURCHASE PRICE UNDER THE PUBLIC OFFER AND ITS RATIONALE

The price per Offered Share to be paid by the Bidder within the Public Offer is of _____ lei (RON)/share (hereinafter called „**Offer Price**”).

Shareholders who shall validly accept the Offer in accordance with the terms of this Offer Document shall receive the Offer Price per Offered Shares sold in the Offer, less any commissions and transaction fees charged by the intermediaries and any applicable bank transfer fees. Certain costs are detailed in the Subscription Form for the Public Offer; Shareholders intending to participate in the Public Offer should verify the total costs of the sale of the Offered Share with the intermediary through which they intend to subscribe in the Offer. Any profit made by an investor from the sale of the allocated shares in the Offer is a capital gain from a tax perspective and consequently the Bidder is not responsible for withholding or payment of and has not withheld nor paid any taxes, or other fiscal duties in relation to the Offer Price payable to the Shareholders who have sold shares within the Public Offer. Each Shareholder shall seek independent advice from their legal, tax or financial advisors and shall duly comply with any tax obligations which may arise in respect of the income derived in connection to the shares sold within the Public Offer.

The Method of determining the Offer Price

The Offer Price was established according to Law no. 297/2004 regarding the capital markets (“**Capital Markets**”).

Law”), as amended and the Regulation of the National Securities Commission no. 1/2006 regarding the issuers and the operations with securities, as amended (“**Regulation no. 1/2006**”). According to the provisions of art. 57, paragraph 1 of Regulation no. 1/2006, the price in a tender offer should be equal to at least the highest of:

- a) the highest price paid by the Bidder and the persons acting in concert thereto during a period of 12 months preceding the date of submission with the FSA of the offer documentation – this price is of 1.0000 RON/share.
- b) the weighted average price, for a period of 12 months preceding the date of submission with the FSA of the offer documentation. According to BSE data, this price is of 0.8529 RON/share for the period 18 October 2013 – 17 October 2014.

Based on the price determination criteria set out above, the Offer Price is of _____ RON/share.

Value of the Public Offer

The total value of the Public Offer (hereinafter called "**Offer Value**") will be equal to the number of Offered Shares acquired by the Bidder in the Offer multiplied with the Offer Price. The maximum value of the Public Offer amounts to _____ lei (RON).

According to the regulations in force, the Offer Price may be increased during the Public Offer by the Bidder according to the procedure described in Section *Amendment of the Public Offer* of this Offer Document. In this situation, the Shareholders who have validly accepted the Public Offer before the amendment of the Offer Price will receive the increased price.

7. PUBLIC OFFER PERIOD

This Public Offer is opened for a period of 21 (twenty one) working days and will be initiated on the fourth working date following the date of publication of the tender announcement in two (2) national newspapers. Offer period is between _____ and _____ (hereinafter called "**Offer Period**"). The validity period of the Public Offer may be extended by the Bidder according to the procedure described in Section *Amendment of the Public Offer* of this Offer Document. Throughout its duration, the Public Offer is irrevocable. On expiry of the Offer Period, the Public Offer becomes obsolete.

8. AMENDMENT OF THE PUBLIC OFFER

In accordance with the Capital Markets Law and Regulation no. 1/2006, occurrence of any new event or change in the initial information presented in the Offer Document, that may affect the investment decision during the Offer Period shall trigger the obligation on the Bidder to prepare a supplement to this Offer Document.

During the Offer Period, the Bidder may change the initial terms and conditions of the Offer, with the observance of the following conditions:

- a) obtaining the FSA approval for amending the Offer Document;
- b) the amendments to the Offer terms does not lead to less favorable conditions for those to whom it is addressed;
- c) the amendments shall be made available to investors through publication of an announcement under the same terms as those used for the publication of the Offer Document.

Any request to amend the Offer Document shall be submitted to the FSA for approval not later than one (1) working day prior to the last date of the Offer Period.

The amendments to the Offer Document are valid and may be implemented only if approved by the FSA and published in accordance with the applicable law. The FSA may approve the amendments to the Offer Document according to the applicable law or may refuse to grant approval. In case the request to approve amendments to the Offer Document refers to the price or to other elements of the Offer Document, other than the closing of the Offer Period, the FSA is entitled to extend the Offer Period, so that there is a period of at least two (2) working days between the date of publication of the supplement and the closing date of the Offer Period. The amendment is valid from the date of its publication by way of a supplement to the Offer Document through the same channels used for the publication of the Offer Document.

If the amendment to the Offer Document consists in increasing the Offer Price, all subscribers in the Offer, including those that have already subscribed prior to price amendment, shall receive the increased price.

9. METHOD AND PLACES OF SUBSCRIPTION, PROGRAM WITH PUBLIC

The Public Offer shall be carried out exclusively through the trading systems operated by the BSE.

The Offer Document shall be made available to the public free of charge, as follows:

- a. on paper, at Raiffeisen Bank office, in Calea Floreasca 246D, Office Building, Bucharest, 1st District, postal code 014476, fax 021.230.06.84 and at the Bidder's registered office, respectively 78-80 Buzesti Street (7th floor), District 1, Postal Code 011017, Bucharest, Romania, telephone 021.200.96.00, starting with the date of publication of the Offer announcement and
- b. in electronic form, by posting on the website of the Bucharest Stock Exchange (www.bvb.ro), on the website of the Intermediary Raiffeisen Bank (www.raiffeisen.ro), as well as on the Bidder's website (www.fondulproprietatea.ro).

Shareholders may subscribe in the Offer in accordance with the terms of this Offer Document by completing and signing the subscription form in the form made available to interested Shareholders by authorized intermediaries (hereinafter called "**Subscription Form**"), attached as Annex 1 to this Offer Document, and by delivering before the expiry of the Offer Period, all necessary documents, at one of the following locations:

- At the office of Raiffeisen Bank S.A., at Calea Floreasca 246D, Office Building, 1st District, Bucharest, postal code 014476, during its regular working hours of each working day within the Offer Period, from Monday to Friday; and
- At the registered office of other intermediaries authorized by the FSA, who have signed and submitted with the Intermediary the letter of engagement to abide by the terms and conditions of the Public Offer (hereinafter called "**Letter of Engagement**") and who was granted access to the market segment of the BSE used for the Public Offer, during the regular working hours of the respective intermediary of each working day within the Offer Period, from Monday to Friday.

On the last day of the Offer Period, Subscription Forms may be submitted with the authorized intermediaries indicated above only until 12:00 PM Eastern European Time (GMT+2).

The execution of the Subscription Form in accordance with this Offer Document represents the unconditional acceptance of the terms and conditions of the Public Offer and of the Offer Document in its entirety, the relevant Shareholder confirming that it has received, read, accepted and agreed with the terms and conditions of this Offer Document and that it has subscribed in compliance therewith. After the expiry of the Offer Period, the subscriptions will remain irrevocable until completion of the operations set forth in this Offer Document.

Each Shareholder intending to subscribe in the Public Offer may only subscribe a number of shares held in the Issuer for which it is a registered owner on the date of submission of the Subscription Form with the authorized intermediary in the Offer or with a custodian, unless the respective Shareholder sells a part or all of its shares in the Issuer until the trade date of the Offer. Each intermediary authorized for the purpose of the Offer undertakes to check upon receiving each subscription form with the accompanying documents that the number of shares in the Issuer subscribed by each Shareholder and set in the subscription form does not exceed the number of shares held at that time by the respective Shareholder in the Issuer as registered in the account opened with the respective intermediary or with the custodian. Each intermediary authorized for the purpose of the Offer may only validate the subscription made by a Shareholder and place the corresponding sell order into the trading system of the BSE after it has performed the above described checking process. Each intermediary authorized for the purpose of the Offer is fully liable for any damages caused to the Bidder or any third parties, directly or indirectly, by failure to comply with the above described process in respect of the subscriptions submitted with the respective intermediary.

In case the Shareholder has concluded a valid brokerage contract with one of the intermediaries authorized for the purpose of the Offer, the respective Shareholder may send to the respective intermediary a standard sale order in respect of the shares in the Issuer intended to be sold in the Offer, without being required to submit any other additional documentation excepting the evidence of ownership of the shares in the form of a statement issued by the custodian. The respective intermediary will fill in the Subscription Form on behalf of the respective Shareholder.

In case the Shareholder has not concluded a valid brokerage contract with an intermediary authorized for the purpose of the Offer, the Subscription Form will have attached any other documents requested by the intermediary for the purpose of carrying out its duty to comply with the “know your client” rules, based on applicable regulation and on internal norms and procedures for client identification.

Documents in a different language than Romanian or English, submitted by a Shareholder legal person or an entity without legal personality shall be accompanied by a translation thereof in Romanian or English language.

If (a) a Subscription Form contains factual or legal errors or is not accompanied by the required documentation and/or (b) any shares intended to be subscribed in the Offer by a Shareholder (i) are restricted in any way from transfer and such restriction is registered with the Central Depository and/or (ii) are subject to any options or other rights in favor of a third party and/or (iii) are not held in the account by the Shareholder or the number of shares indicated in the Subscription Form exceeds the number of shares actually held by the Shareholder, the relevant Subscription Forms shall be deemed null and void and shall not be validated by the relevant intermediaries.

The Intermediary and the intermediaries authorized for the purpose of the Offer shall check the validity of the Subscription Forms and related documentation and validate them in accordance with the terms and conditions of this Offer Document prior to introducing the sale orders into the trading system of the BSE.

Immediately after the validation of a subscription by a Shareholder, the relevant intermediary authorized for the purpose of the Offer will block the Offered Shares subscribed by that Shareholder or, in case the Shareholder is serviced by a custodian, the Shareholder is obliged to instruct its custodian to block the subscribed Offered Shares until the trade date of the Offer. Each intermediary authorized for the purpose of the Offer and each custodian of Shareholders subscribing in the Offer are required to take all the measures necessary to ensure an effective blocking of the subscribed Offered Shares into the relevant accounts opened with the respective intermediary or with the respective custodian.

Any subscribed Offered Shares that will not be allocated for the purpose of the Offer will be unblocked by the respective intermediary/custodian after allocation of the subscribed Offered Shares in the Offer on the trade date of the Offer. Also, if a Shareholder revokes its subscription in the Offer, the subscribed Offered Shares will be unblocked immediately after the intermediary validates the revocation form.

All subscribed Offered Shares that will be allocated in the Offer shall be unblocked for transfer immediately prior to and for the purpose of the registration of the transactions in the Offer in the trading system of the Bucharest Stock Exchange.

The Intermediary and each of the intermediaries whose access in the Public Offer is authorized by the Intermediary must inform the Shareholders subscribing through it in connection with the terms and conditions of the Offer and each of them is exclusively liable for carrying out of the Public Offer and the observance of this Offer Document and the FSA regulations, including without limitation for the completion of the settlement of the trades carried out pursuant to the orders collected, validated and registered in the BSE systems related to the Offer and corresponding payments to the beneficiaries.

10. ALLOCATION METHOD OF SHARES

The Bidder intends to acquire through the Public Offer a number of 750,000,000 fully paid shares issued by the Issuer that are not owned by the Bidder.

In case the total number of shares subscribed by the Shareholders accepting the Public Offer in accordance with this Offer Document exceeds the number of Offered Shares, the allocation of shares will be done on a pro-rata basis. For the avoidance of doubt, in such a case, any Shareholder accepting the Public Offer will sell a number of shares equal with the number of shares indicated in the Subscription Form and validated by the relevant intermediary in accordance with this Offer Document multiplied with the ratio between the total number of Offered Shares and total number of shares subscribed in the Offer by the Shareholders as indicated in the validated Subscription Forms. Any fractions of shares resulting from such pro rata allocation shall be rounded

down to the nearest natural number of shares. For the avoidance of doubt, a Shareholder owning more than the maximum number of Offered Shares is entitled to tender in the Offer up to the total number of shares held in the Issuer and such number of shares tendered will be considered in the total number of shares tendered in the Offer when assessing the pro rata allocation, but the maximum number of shares that will be sold under this Public Offer by the respective Shareholder in the Offer shall be calculated by applying the allocation ratio to the number of shares tendered in the Offer. Subscriptions are not allowed for fractional shares.

The allocation ratio will be made public on the last date of the Offer Period, via the Bucharest Stock Exchange electronic system.

11. THE PAYMENT METHOD OF SHARES

The payment of the Offer Price for the Offered Shares acquired by the Bidder in the Offer shall start immediately after the settlement of the trades in the Offer without exceeding 3 (three) working days from the settlement date. No payments will be made before the expiry of the Offer Period.

The trades in the Public Offer will take place on the business day immediately following the closing date of the Offer Period and will consist in the automatic recording in the electronic system of the BSE of two (2) types of orders: a set of sell orders in the account of the selling Shareholders that subscribed under the Public Offer and a purchase order in the Bidder's account. The settlement of the trades in the Offer shall occur on the second trading date following the trade date (T+2).

The intermediaries authorized by the FSA whose access in the Public Offer was authorized by the Intermediary and set up by the BSE will have to abide by the terms of the Public Offer by signing the Letter of Engagement.

The Bidder shall not be liable for the payment of any capital gains tax, any transaction fees and charges or other charges and commissions payable by the Shareholders who have sold shares within the Public Offer. Each Shareholder will receive payment for the sold shares in accordance with the option specified by the Shareholder in the Subscription Form, while any related costs are to be borne by the Shareholders who have accepted the Public Offer.

12. THE SOURCE AND SIZE OF THE BIDDERS' FUNDS FOR THE PAYMENT OF SHARES

The Bidder shall finance the Offer using funds already available.

13. FINANCIAL INFORMATION OF THE BIDDER/ISSUER, ACCORDING TO THE LATEST APPROVED FINANCIAL STATEMENTS

Million RON	2011	2012	2013
Total assets	11,177	11,875	10,946
Revenues from current activity	618	872	1,311
Gross profit	546	567	682
Net profit	544	567	682

Source: Annual audited financial statements of Fondul Proprietatea S.A. for years 2011 – 2013, prepared in accordance with Romanian accounting regulations (CNVM Regulation no. 4/2011)

14. OTHER INFORMATION CONSIDERED TO BE RELEVANT BY THE BIDDER

The Bidder and the Intermediary state on oath that the information contained in the Offer Document is true and no omission was made that is likely to affect significantly the content of the Offer Document.

In accordance with Article 182 of Law 297/2004 regarding the Capital Markets Law, the Bidder and the

Intermediary are jointly liable for the preparation of this Document Offer and for compliance with the legal provisions regarding the truthfulness, accuracy and exactness of the information in the Offer Document and in the Offer Announcement, as the case may be. Initiation and completion of this Public Offer are governed by Capital Markets Law and implementing regulations adopted by the Romanian National Securities Commission/Financial Supervisory Authority in the application thereof.

The legal relationship between the Bidder and the Shareholders who have subscribed under the Public Offer, will be governed by the Romanian law. Any dispute arising under or in connection with this relationship will be resolved by the Romanian competent courts, according to the rules of jurisdiction laid down by the Romanian law.

Date: October 2014

BIDDER**INTERMEDIARY****Fondul Proprietatea SA**

Grzegorz Maciej Konieczny

RAIFFEISEN BANK S.A.

Dana Mirela Ionescu

Head of Investment Banking and Capital Markets

Franklin Templeton Investment Management Ltd
United Kingdom Bucharest Branch, acting as sole
director on behalf of FONDUL PROPRIETATEA
S.A.

**SUPPLEMENT TO
THE PUBLIC TENDER OFFER DOCUMENT**
**Approved by decision of the Financial Supervisory Authority no. 1591 dated
28 October 2014**
("Offer Document")

Issuer:
Fondul Proprietatea S.A.

Bidder:
Fondul Proprietatea SA



Intermediary
RAIFFEISEN BANK S.A.



APPROVED BY THE FINANCIAL SUPERVISORY AUTHORITY ("FSA") BY DECISION
_____ DATED _____

THE AUTHORIZATION ENDORSEMENT ON THE OFFER DOCUMENT SHALL NOT BE CONSTRUED AS A GUARANTEE NOR REPRESENTS OTHER FORM OF APPRECIATION BY THE FSA WITH RESPECT TO THE OPPORTUNITY, ADVANTAGES OR DISADVANTAGES, PROFIT OR RISKS THAT MAY BE IMPLIED BY THE TRANSACTIONS TO BE CARRIED OUT IN CONNECTION WITH THE TENDER SUBJECT TO THE AUTHORIZATION DECISION; THE AUTHORIZATION DECISION CERTIFIES ONLY THE COMPLIANCE OF THE OFFER DOCUMENT WITH THE LEGAL REQUIREMENTS AND THE NORMS ADOPTED FOR THE APPLICATION THEREOF.

Date of the amendment 5 November 2014

NOT FOR DISTRIBUTION TO ANY PERSON RESIDENT OR LOCATED IN A RESTRICTED JURISDICTION.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or what action you should take, you should consult a person authorised under the Capital Markets Law no. 297/2004, as amended, or if you are resident outside Romania, a person authorised in your jurisdiction, specialising in advising on the acquisition of shares and other securities before taking any action. The entire text of this document should be read carefully.

The main purpose of this document is to provide updated information in connection with certain information presented in the Offer Document and shall be read only together with the Offer Document and in the context of the Offer described in the Offer Document. Thus, all restrictions to participate in the Offer and/or to receive/disseminate this document or of any other document related to the Offer, including the restrictions in respect of restricted jurisdictions apply accordingly and are included by reference in this document. Neither Fondul Proprietatea S.A., in its capacity of bidder and issuer in relation to the Offer, nor Raiffeisen Bank S.A., in its capacity of intermediary, have updated other information than the data presented within this supplement, all the other information presented in the Offer Document being accurate and complete as at the date of the Offer Document. Thus, neither Fondul Proprietatea S.A. in its capacity of bidder and issuer in relation to the Offer, nor Raiffeisen Bank S.A. in its capacity of intermediary, undertakes any liability regarding the accuracy and completeness of the information presented in the Offer Document at any date after the date of the Offer Document, except for the information presented in this supplement.

Publication

A copy of this document, together with the Offer Document will be available free of charge, subject to restrictions relating to persons resident in any Restricted Jurisdiction:

- c. on paper, free of charge, at Raiffeisen Bank S.A. office, in Calea Floreasca 246D, Office Building, 1st District, postal code 014476, Bucharest, fax 021.230.06.84 and at the Bidder's registered office, respectively 78-80 Buzesti Street (7th floor), District 1, Postal Code 011017, Bucharest, Romania, telephone 021.200.96.00, starting with the date of publication of the supplement announcement, and
- d. in electronic form, by posting on the website of the Bucharest Stock Exchange (www.bvb.ro), on the website of the Intermediary (www.raiffeisen.ro), as well as on the Bidder's website (www.fondulproprietatea.ro).

Whereas:

1. between the date of submitting to the Financial Supervisory Authority ("**FSA**") of the Offer Document for the purpose of approval and the date on which FSA issued the approval decision, FSA has issued the securities' registration certificate in accordance with the share capital of Fondul Proprietatea S.A., as it was decreased by decision no. 7 of 28 April 2014 of the extraordinary general shareholders' meeting of Fondul Proprietatea S.A.;
2. by way of letter no. 21253 of 31 October 2014, FSA required Fondul Proprietatea S.A. to take all the necessary measures for the publication of a supplement to the Offer Document by way of which to inform the investors about the amount of the share capital registered with Depozitarul Central S.A., as well as about the Bidder's current holding of own shares;
3. on 3 November 2014 Depozitarul Central S.A. officially communicated to Fondul Proprietatea S.A. that it has registered accordingly the share capital decrease above-mentioned in the issuer's shareholders' registry on 28 October 2014,

On the basis of provisions of art. 9 from NSC Regulation no. 1/2006 regarding issuers and operations in securities.

Fondul Proprietatea S.A., as bidder in the offer described in the Offer Document (the "**Offer**") has drawn up and submitted with the FSA for approval this supplement to the Offer Document, by which it amends the provisions of the Offer Document referring to the share capital of Fondul Proprietatea S.A., as follows:

- (A) on the date of this supplement, the share capital of Fondul Proprietatea S.A., as it is registered in the shareholders' registry kept by Depozitarul Central S.A. is the following:
- Subscribed share capital: RON 11,815,279,886.85
 - Number of shares: 12,437,136,723
 - Nominal value per share: RON 0.95.

Furthermore, the consolidated structure of the holders of financial instruments holding at least 10% in the share capital of Fondul Proprietatea as at 28 October 2014, as issued by Depozitarul Central S.A on 3 November 2014 was the following:

Name of the holder	Number of shares	Percentage (%)
MANCHESTER SECURITIES CORP. loc New York USA	2,087,618,216	16.7854%
Legal persons	7,120,748,392	57.2539%
Natural persons	3,228,770,115	25.9607%
TOTAL	12,437,136,723	100%

Source: Depozitarul Central S.A.

- (B) On 28 October 2014, Fondul Proprietatea S.A. held a number of 289,208,256 own shares.

Date: 5 November 2014

BIDDER	INTERMEDIARY
Fondul Proprietatea SA	RAIFFEISEN BANK S.A.
Oana Valentina Truța	Dana Mirela Ionescu
	Head of Investment Banking and Capital Markets

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

Annex 10 New Investment Policy Statement of Fondul Proprietatea SA

INVESTMENT POLICY STATEMENT OF FONDUL PROPRIETATEA SA

I. PURPOSE OF THE INVESTMENT POLICY STATEMENT

This investment policy statement (hereinafter referred to as the “**Investment Policy Statement**” or “**IPS**”) sets the prudential rules concerning the investment policy of Fondul Proprietatea S.A. (hereinafter referred to as “**Fondul Proprietatea**” or “**FP**”) and presents the investment goals, objectives and the decision-making process for selecting investments in accordance with the investment objectives.

The IPS provides criteria against which investment results will be measured and serves as a review document to monitor, evaluate and compare the performance of the Fund Manager on a regular basis.

The IPS shall be reviewed when needed by the Fund Manager together with the Board of Nominees, in accordance with the provisions of FP’s Constitutive Act and the applicable legal provisions.

The IPS is set forth within the legal framework established by Title VII of Law 247/2005 and any related and ancillary legislation in force, and, in accordance with FP’s Constitutive Act, the Extraordinary General Shareholders’ Assembly is responsible for approval of the IPS.

II. ROLES, RESPONSIBILITIES AND PROCEDURES

A. Fund Manager. The Fund Manager is appointed by the General Shareholders Meeting and performs its activity based on an Investment Management Agreement entered into between Fondul Proprietatea and the Fund Manager (hereinafter referred to as the “**IMA**”).

The Fund Manager has the power to make all decisions concerning the investments to be made by Fondul Proprietatea, in accordance with the restrictions provided in this IPS, the Constitutive Act of Fondul Proprietatea, the IMA and applicable laws and regulations.

B. Board of Nominees. The Board of Nominees monitors the activity of the Fund Manager and represents the shareholders in relation to the Fund Manager. The exact roles and responsibilities of the Board of Nominees are detailed in the Constitutive Act of Fondul Proprietatea.

C. General Shareholders Meeting. The General Shareholders Meeting is the supreme corporate body of Fondul Proprietatea. Certain transactions performed by Fondul Proprietatea require the prior approval of the General Shareholders Meeting, in accordance with the Constitutive Act and the applicable legislation.

III. INVESTMENT OBJECTIVES AND PERFORMANCE OBJECTIVES

A. Investment objective

The FP’s investment objective is the maximization of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities.

B. Performance Objectives

a. Discount Objective

The discount between the closing price for each trading day of the shares issued by FP and the latest reported NAV per Share should be equal to or lower than 15% in at least two thirds of the trading days during the Reporting Period (as defined in the IMA) (the “**Discount Objective**”).

b. NAV Objective

The Fund Manager should achieve a level of Adjusted NAV per Share (as defined below) higher than the reported NAV as at September 30th 2013 (the “**NAV Objective**”).

The adjusted NAV (the “**Adjusted NAV**”) for a given date will be calculated as the sum of:

- (i) the reported NAV as at the end of the Reporting Period (as defined in the IMA);
 - (ii) any returns to shareholders, following reductions of the share capital (return of nominal) implemented after September 30th 2013 , and
 - (iii) any Distribution Fee (as defined in the IMA) and any transaction costs relating to non-dividend distributions including buy-backs executed after 30 September 2013.
- c. The Adjusted NAV per Share will be equal to the Adjusted NAV divided by the total number of the Fund’s paid shares, less treasury shares, on the last day of the Reporting Period (the “**Adjusted NAV per Share**”).

C. General principles for achieving the objectives

The Board of Nominees and the General Shareholders Meeting review the performance of the Fund Manager, on an annual basis, for the period of time established as the Reporting Period (as defined and further detailed in the IMA).

In the absence of investment opportunities offering better returns for shareholders, the Fund Manager will use all or a significant part of the proceeds from dividends and disposal of portfolio companies to implement measures aimed at maximizing cash returns to shareholders and fulfilling the Performance Objectives. Discount management techniques may include (but are not limited to) the following:

- recommendation of buy-back programs of FP’s shares to shareholders for approval, subject to compliance with the Constitutive Act and all applicable legislation.
- reduction of nominal value of shares, accompanied by cash distribution to shareholders.
- execution of buy-back programs via (i) trading on the regular market on which FP’s shares are listed and (ii) public tender offers, in each case subject to available liquidity, compliance with the Constitutive Act and all applicable legislation, and receipt of all necessary regulatory approvals.
- increasing investor demand for the shares, with the aim of increasing the market price, by:
 - maintaining a transparent dividend policy;
 - increasing the share of listed companies in the portfolio and their transparency;
 - building good communication through active investor relations work; and
 - supporting initiatives to make the Romanian capital market more attractive for investors.

In order to achieve the objectives in the IPS, the Fund Manager should pay attention to:

- clarity of the Fund Manager’s investment strategy and how it contributes to achieving the main investment objectives;
- active engagement with the portfolio companies in order to increase their value, and
- constructive communication and interaction with the Board of Nominees.

D. Risk management

The Fund Manager is responsible for proper balancing of risk and expected returns.

The Fund Manager should implement appropriate tools and processes in order to monitor operational and investment risks and to respond to developments in a timely fashion.

IV. INVESTMENT LIMITS AND RESTRICTIONS

The investment policy will observe the prudential limits of investments provided for by the applicable laws and regulations in force and the Constitutive Act of FP.

Under normal market conditions, the Fund should have at least 80% of its net assets invested in Romanian equity and equity-linked securities.

Investments limits, include but are not limited to the following:

- up to 10% of its assets invested in listed shares or money market instruments issued by one single issuer, except of the government bonds
- up to 20% of its assets invested in unlisted securities or money market instruments except of the government bonds and other cases permitted by law*
- up to 10% of assets invested in bank deposits with one single bank
- up to 10% of assets invested in financial instruments issued by entities belonging to the same group of companies
- up to 10% of assets invested in UCITS units or other collective investment scheme units
- exposure to the counterparty risk in a transaction with derivatives traded out of the regulated markets may not exceed 10% of assets, irrespective of the counterparty of the transaction, while the global exposure of derivatives may not exceed 15% of the total allocation of net assets
- not less than 20% of assets investments in listed securities and newly issued securities

* *Shares received from Romanian State on the basis of Law No. 247/2005 are exempted from the general rules on allocation. Where the Fund acquires further securities in the same issuer as securities received from Romanian State, the general rules on allocation shall apply to the newly acquired securities only. For the calculation of the ownership limit for securities not admitted to trade, shall 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 GEO 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.*

All investment restrictions are available on Fondul Proprietatea website, Investment Policy Statement Section.

V. ADDITIONAL GUIDELINES

Subject to applicable legal provisions in force and the FP Constitutive Act, all decisions regarding sector and security selection, portfolio construction, timing of buy or sell transactions and choice of venue and structure of transaction are delegated to the Fund Manager.

Subject to the applicable legal provisions and FP's Constitutive Act, the Fund Manager on behalf of the Fund, may buy, sell, exchange, exercise all rights, has a good and valid title to sell and transfer any rights and to enter into conditional contractual liabilities. This includes, without limitation, the power to enter into derivatives and to negotiate and execute loan agreements, repurchase agreements and/ or securities lending agreements, in accordance with the legal applicable provisions in force and FP's Constitutive Act, also taking into account the cases when a prior approval of the Extraordinary General Shareholders Meeting is needed.

Transactions which involve a broker acting as a "principal", where the broker is also the investment manager (or an affiliate of such investment manager) who makes the transaction (or an affiliate of such investment manager) are not permitted.

Transactions should be executed at the lowest possible cost (including commissions, efficiency of execution and the impact of the market) and best execution should be provided at all times.

Cash allocation

Cash allocation is made by the Fund Manager, based on market conditions. It should be aimed at reducing risks to the Portfolio

Valuation

Valuation of assets shall be made in accordance with the regulations in force issued by the Financial Supervisory Authority and in accordance with the internal regulations of Fondul Proprietatea.

VI. LIMITATIONS OF DISCRETIONARY MANAGEMENT

The Fund Manager assumes the management over the entire Portfolio, subject to the terms of the IPS and the IMA.

The Fund Manager is subject to the limitations set out by this IPS, the Constitutive Act of Fondul Proprietatea and the existing applicable legal provisions in force.

VII. LIQUIDITY

The Fund Manager shall maintain adequate liquidity in order to at least meet the following requirements:

- cover the operating and tax expenses of FP;
- cover the capital expenditure requirements for the on-going activities of FP;
- ensure appropriate funds for dividend payments and share buy-backs (where such actions have been approved by shareholders).

VIII. TIME HORIZON

The duration of Fondul Proprietatea is not limited in time.

IX. TAX CONSIDERATIONS

The FP is established as a commercial undertaking and is subject to corporate tax in accordance with the Romanian Fiscal Code. In managing the investment portfolio and seeking to achieve the objectives, the Fund Manager shall have due regard to the potential impact of tax regulations.

X. CONSTRAINTS

The FP shall not invest in any other type of asset class, except those specifically mentioned in the applicable legislation and the Constitutive Act. The use of derivatives is permitted subject to the limitations contained in applicable legislation in force. Short selling of securities is prohibited.

Borrowing is allowed only in accordance with the FSA regulations applicable to other undertakings for collective investment and FP's Constitutive Act.

XI. POLICY REVIEW

The IPS shall be reviewed on regular basis by the Fund manager and Board of Nominees in order to ensure that it remains consistent with overall objectives of FP.

Any changes to the investment policy proposed by the Fund Manager and/or the Board of Nominees shall be approved by the General Shareholders Meeting, with observance of investment limits provided in the applicable legislation in force.

Grzegorz Maciej Konieczny

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch, acting as sole director on behalf of S.C. FONDUL PROPRIETATEA S.A.

Annex 11

Corporate Governance Statement “Comply or Explain” for year 2014

According to BVB Corporate Governance Code

Principle/ Question		YES	NO	If NOT, please EXPLAIN
P19	Is the issuer managed under a dualist system?		X	Until 28 September 2010, Fondul Proprietatea S.A. was administered in a two-tier system, and after this date, an untypical unitary administration system was introduced, as regulated by Law no. 247/2005, as amended and supplemented. However, even if ruled after a one-tier system, the existence of the Board of Nominees that has the main duty to follow the execution of the Investment Management Agreement creates a similar framework as for a two tier system.
P1	R1	Has the issuer drawn up the By-laws/Corporate Governance Regulations to describe the main aspects of the corporate governance?	X	
		The By-laws/Corporate Governance Regulations are posted on the company website, indicating the date of the last update?	X	
	R2	In The By-laws/Corporate Governance Regulations are there defined the corporate governance structures, positions, components and responsibilities of the Board of Directors (BD) and of the executive management?	X	
	R3	Does the issuer's Annual report provide for a chapter on corporate governance where they describe all the relevant events related to the corporate governance, recorded during the previous financial exercise?	X	
		Does the issuer circulate on the company website the information related to the following aspects of their corporate governance policy:	X	
		a) a description of their corporate governance structures?		
		b) the updated articles of incorporation?	X	
		c) the operation bylaws/essential aspects for each specialty?	X	
		d) the “Comply or explain” Statement?	X	
		e) the list of the BD members mentioning which members are independent and/or nonexecutive, of the members of the executive management and those of the specialty commissions/committees?	X	
		f) a brief description of the CV for each BD member of the executive management?	X	
P2		Does the issuer abide by the rights of the financial instrument holders, providing them with the equal treatment and submitting to the approval any modification of the rights in the special meetings of these holders?	X	
P3	R4	Does the issuer publish in a separate part of the website the details of the General Meetings of Shareholders (GMS):	X	
		a) GMS summons?		

Principle/ Question		YES	NO	If NOT, please EXPLAIN
Recommendation				
	b) materials/documents corresponding to the agenda as well as any information on the agenda?	X		
	c) special power of attorney forms?	X		
R6	Has the drawn and proposed to GMS the procedures for the efficient and proper development of the GMS agenda without any damage to the right of any shareholder to express their free opinion on the debated topics?	X		
R8	Does the issuer publish in a spate part of the website the details of the shareholders' rights as well as the regulations for the attendance at GMS?	X		
	Does the issuer provide the information in due time (immediately after the GMS) of all the shareholders through the separate section on their website:	X		
	a) on the decisions made within GMS?			
	b) on the detailed result of the vote?	X		
	Do the issuers circulate through the special section of the website, that is easily identifiable and accessible:	X		
	a) current/communicated reports?			
	b) the financial schedule, the annual reports, the quarter and semester reports?	X		
R9	Is there within the issuer's company a special department / person dedicated to the relation with the investors?	X		
P4, P5	R10 Does the BD meet at least once a trimester for the monitoring and the activity of the issuer?	X		
	R12 Does the issuer have a set of rules referring to the reporting conduct and obligations of the transactions of the shares or other financial instruments issued by the company ("company assets") made on their name by the directors and other persons?	X		
	If a BD member or a member of the executive management or any other person made on their interest a transaction with the company deeds, then, the transaction is circulated through the company website, according to the corresponding Regulations?	X		
P6	Does the structure of the Board of Directors of the Issuer provide a balance between the executive and nonexecutive members (and especially independent nonexecutive directors) so that no person or group of persons may dominate the BD decision-making process of BD?	X		
P7	Does the structure of the Board of Directors provide a sufficient number of independent members?	X		
P8	R15 During their activity, does BD have the support of consultative commissions / committees for the examination of specific topics, chosen by BD for their counselling on these themes?	X		
	Do the consultative commissions/committees forward activity reports to the BD on their specific themes?	X		
	R16 For the assessment of the independence of their nonexecutive members, does the Board of Directors use the assessment criteria listed in the Recommendation 16?	X		
	R17 Do the BD members permanently improve their knowledge through training / formation in corporate governance?	X		
P9	Does the selection of the BD members have a procedure based on transparency (objective criteria regarding the personal/professional qualification etc.)?	X		
P10	Is there an Appointment Committee within the company?	X		

Principle/ Question		YES	NO	If NOT, please EXPLAIN
Recommendation				
P11	R21	Does the Board of Directors analyze at least once a year the need to register a remuneration/remuneration policy committee for the directors and members of the executive management?	X	
		Has the remuneration policy been approved by the GMS?	X	
	R22	Is there a Remuneration Committee made exclusively of nonexecutive directors?	X	
	R24	Is the company remuneration policy of the company provided in the Bylaws/ Corporate Governance Regulations?	X	
P12, P13	R25	Does the issuer circulate, in the English language, the information representing the subject of the reporting requirements: a) periodic information (providing information periodically)? b) continuous information (providing information periodically)?	X	
		Does the Issuer provide and circulate the financial report according to IFRS?	X	
	R26	Does the issuer promote, at least once a year, meetings with the financial analysts, brokers, rating agents and other market specialists with the view to presenting the financial elements relevant to the investment decision?	X	
	R27	Is there an Audit Committee within the company?	X	
	R28	Does the BD of the Audit Committee, as the case may be, examine on regular basis, the efficiency of the financial report, the internal control and the control of the risk management system passed by the company?	X	
	R29	Is the Audit Committee made of nonexecutive directors and is there a sufficient number of independent directors?	X	
	R30	Does the Audit committee meet at least twice a year; are these meetings dedicated to drawing up and circulating the quarter and annual results to the shareholders?	X	
	R32	Does the Audit Committee recommend to BD the selection, appointment, re-appointment and replacement of the financial auditor, as well as the terms and conditions of their remuneration?	X	
P14		Has the BD passed a procedure with the view to identifying and settling adequately the conflicts of interests?	X	
P15	R33	Do the directors inform BD on the conflicts of interests as they occur and do they refrain from the debates and the vote on those matters, according to the legal provisions?	X	
P16	R34/ R35	Has the BD passed the specific procedures in order to provide their procedure accuracy (identification criteria of the significant transactions, relevant for transparency, objectivity, non-concurrence, etc.) for defining the transactions?	X	
P17	R36	Has BD passed a procedure of the internal circuit and the disclosure to third parties of the documents and information referring to the issued, with emphasis on the information that can influence the price of the assets issued by them?	X	
P18	R37/ R38	Does the issuer have activities regarding Social Responsibility and Company Environment?	X	



**Franklin Templeton Investment
Management Limited Bucharest Branch**
Premium Point
78-80 Buzesti Street, 1st District
Bucharest 011017
Romania

FONDUL
PROPRIETATEA

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