

To: **Bucharest Stock Exchange**
Financial Supervisory Authority

Current report according to Article 113 of the Romanian National Securities Commission Regulation no. 1/2006 regarding the issuers and the operations with securities, as subsequently amended and completed, as well as the provisions of Article 99 of the Code of the Bucharest Stock Exchange, Title II, Issuers and Financial Instruments.

Events to be reported:

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

Franklin Templeton Investment Management Ltd. United Kingdom Bucharest Branch ("**the Fund Manager**"), in its capacity as sole administrator and fund manager of Fondul Proprietatea SA ("**the Fund**"), hereby informs shareholders and investors on the official interpretation provided by the Financial Supervisory Authority ("**FSA**") on the computation methodology for the 'net asset value' to be used by Fondul Proprietatea in the application of art. 69 of Law no 31/1990 (as republished, amended and supplemented, the "**Companies Law**") related to the distribution of profits to shareholders. Article 69 of the Companies Law requires that the 'net asset value' of the Fund be higher than the share capital of the Fund, in order for distribution of profits to be possible.

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 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 from the date of its publication. Enclosed in the annex hereto is a translation in full of the Endorsement.

Based on preliminary 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

Report date:

24 June 2014

Name of the issuing entity:

Fondul Proprietatea S.A.

Registered office:

78-80 Buzesti St.,
7th floor, district 1,
Bucharest, postal code 011017

Phone/fax number:

Tel.: + 40 21 200 9600

Fax: + 40 21 200 9631

Sole Registration Code with the Trade Register Office:

18253260

Order number in the

Trade Register:

J40/21901/2005

Subscribed share capital:

RON 13,538,087,407

Paid share capital:

RON 13,174,101,815

Regulated market on which the issued securities are traded:

Bucharest Stock Exchange

CNVM Regulation no. 4/2011.

As at 31 December 2013, the 'total shareholders' equity' in the financial statements (prepared in accordance with Regulation 4/2011) was RON 10,885.1 million, which is below the share capital of the Fund of RON 13,778.4 million. Therefore, according to the FSA Endorsement, the Fund Manager cannot propose or make any dividend distributions to the Fund's shareholders at the present time.

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

* 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 will carefully analyse the Endorsement and will consider if amendments may be appropriate to the Fund's policy for distributions to shareholders in the future. The Fund Manager remains committed to returning cash to shareholders on an annual basis (subject to applicable law

and necessary approvals) and notes that in February 2014 the Fund Manager proposed and shareholders approved a return of capital by way of reduction of the nominal value of the Fund's shares; this can be implemented from 30 days after receiving the FSA's approval, for which a decision is expected very soon.

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

Konieczny Grzegorz
Legal Representative

Annex

Translation from Romanian



FINANCIAL INSTRUMENTS AND INVESTMENTS SECTOR
VICE PRESIDENT'S OFFICE

**FRANKLIN TEMPLETON INVESTMENT MANAGEMENT
LIMITED UK BUCHAREST BRANCH**
Fax: 021.200.9631

FINANCIAL SUPERVISORY AUTHORITY

Outg. No. VPI/ 4814.1
Day 19 month 06 year 2014

To Mrs. Oana Valentina TRUTA - Legal representative

S.C. FONDUL PROPRIETATEA S.A.

Ingoing No. 1184
Day 19 month 06 year 2014

Dear Madam,

Following your addresses no. 441/30.04.2014 (registered with the FSA under no. RG-41460/30.04.2014) and no. 495/07.05.2014 (registered with the FSA under no. RG-44491/08.05.2014), in which you requested a notice for interpretation of the provisions of art. 17 from Regulation no. 4/2010, *as subsequently amended and complemented*, we are hereby communicating to you the following:

First, we would like to thank you for the active interest shown in relation to the capital market legislation and we assure you that the F.S.A. is constantly concerned with the development of the internal exchange mechanisms, in terms of providing financial stability and protection for the investors' interests.

Second, we are hereby informing you that your request has been analyzed, and we decided to issue notice no. A-71/19.06.2014 (which was published on the website www.asfromania.ro and a copy of which we have attached as annex).

Further, for an effective collaboration, please do not hesitate to contact us if you need additional information in this regard.

This letter does not represent an individual instrument in the sense of the Contentious administrative law and it is not opposable to thirds.

Respectfully,

Mircea URSACHE

VICE PRESIDENT

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THE FINANCIAL SUPERVISORY AUTHORITY

NOTICE NO. 71/ 19.06.2014

Pursuant to the provisions of art. 1 paragraph (2), art. 2 paragraph (1) letters a) and d), art. 6 paragraph (3), art. 7 paragraph (2), art. 26 and art. 27 from GEO no. 93/2012 on the establishment, organization and functioning of the Financial Supervision Authority, as subsequently amended and complemented, approved by Law no. 113/2013, as subsequently amended and complemented,

Pursuant to the prerogatives granted by the law, by this notice F.S.A. is formulating an official response to matters related to the enforcement of the law and of the regulatory rules in force,

Given the notification from FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED UK Bucharest Branch, registered with the F.S.A. under no. RG 41460/30.04.2014 for interpretation of art. 17 from CNVM Regulation no. 4/2010,

Under the provisions of art. 116 paragraph (2) from Law no. 297/2004 on capital market, *as subsequently amended and complemented*,

Pursuant to art. 4 paragraph (3) letter d) from Accounting Law no. 82/1991, *as subsequently amended and complemented*,

Given the provisions of art. 17-20 from Regulation no. 4/2010, as subsequently amended and complemented,

Considering the provisions of art. 153²⁴ from Law no. 31/1990 on trading companies, *as subsequently amended and complemented*,

Pursuant to the Parliament Resolution no. 60/2013 on the appointment of the members of the Financial Supervisory Authority's Council, published in the Official Gazette of Romania, Part I, no. 680 dated 05.11.2013, of the Parliament Resolution no. 14/01.04.2014, published in the Official Gazette of Romania, Part I, no. 232/01.04.2014, of the Parliament Resolution no. 26/16.06.2014, published in the Official Gazette of Romania, Part I, no. 443/17.06.2014 and of the F.S.A. Decision no. 1040/19.11.2013, *as subsequently amended and complemented*,

Following the deliberations during the meeting dated 19.06.2014,

Issues the following:

NOTICE

Art. 1 The value of the net asset calculated according to the provisions of art. 17 from C.N.V.M. Regulation no. 4/2010, *as subsequently amended and complemented*, is established with the purpose of informing the investors and for publishing in the periodical reports according to the legislation in force specific to the capital market, and it is not used for the enforcement of the provisions of art. 69 from Law no. 31/1990 on trading companies, *as subsequently amended and complemented*.

Art. 2 This notice is communicated to FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED UK Bucharest Branch and it is published in the electronic Newsletter of FSA and on the website *www.asfromania.ro*.

Art. 3 The specialized directorates within the Financial Instruments and Investments Sector provide the enforcement of the provisions of this notice.

Art. 4 The Regulatory Directorate within the Financial Instruments and Investments Sector provides the communication of this notice.

**VICE PRESIDENT,
MIRCEA URSACHE**

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