

SEMI-ANNUAL REPORT

for the six-month period ended
30 June 2014

Prepared in accordance with CNVM
Regulation no 1/2006

(This is a translation from the official Romanian
version)

FONDUL
PROPRIETATEA



Fondul Proprietatea S.A.



FRANKLIN TEMPLETON
INVESTMENTS

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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 Registry, 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.
- 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	H1 2014	H1 2013	YE 2013
Total Shareholders’ Equity (RON million)	11,152.8	11,613.1	10,885.0
Total NAV (RON million)	14,850.5	14,998.5	15,013.7
NAV per Share (RON)	1.2518	1.1514	1.2436
NAV per Share change in the period (%)*	+0.7%	+1.3%	+9.4%
NAV per Share Total Return (%)*	+4.7%	+4.9%	+13.3%
Share Price as at the end of the period (RON)	0.8530	0.6195	0.8335
Share Price Low (RON) ¹	0.7590	0.5705	0.5705
Share Price High (RON) ¹	0.8560	0.6700	0.8605
Share Price change in the period (%)*	+2.3%	+12.7%	+51.7%
Share Price Total Return (%)*	+9.0%	+19.9%	+61.3%
Discount to NAV as at the end of the period	31.9%	46.2%	33.0%
Average Discount for the period	34.0%	45.6%	41.3%
Total Share Turnover (RON million)	1,399.0	1,833.2	4,097.0
Average Daily Share Turnover (RON million)	11.3	14.8	16.4

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

*Compared to the end of the previous year

Share Capital Information	30 June 2014*	30 June 2013	31 December 2013
Issued Share Capital (RON)	12,861,183,036.65	13,778,392,208	13,778,392,208
Paid Share Capital (RON)	12,515,396,724.25	13,413,137,586	13,413,137,586
Number of Shares in Issue	13,538,087,407	13,778,392,208	13,778,392,208
Number of Paid Shares	13,174,101,815	13,413,137,586	13,413,137,586
Nominal value per share (RON)	0.95	1	1

*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).

¹ Closing prices. Source: BVB

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- 3632-6 / 23.06.2014

Shareholder Structure² (as at 30 June 2014)

Shareholder Categories	% of subscribed share capital	% of paid-up share capital	% of voting rights
Foreign institutional shareholders	53.98%	55.47%	61.55%
Romanian private individuals	19.64%	20.18%	22.40%
Romanian institutional shareholders	8.60%	8.84%	9.81%
Foreign private individuals	5.45%	5.60%	6.21%
Ministry of Public Finance ³	0.03%	0.03%	0.03%
Treasury shares ⁴	9.61%	9.88%	-
Unpaid shares ⁵	2.69%	-	-

There were 8,037 shareholders on 30 June 2014.

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² Source: Central Depository

³ The percentage represents the paid shares; the percentage of subscribed share capital of Ministry of Public Finance is 2.72%, including the Unpaid shares

⁴ 1,100,950,684 treasury shares acquired by the Fund through the second buy-back programme and 200,364,000 treasury shares acquired by the Fund through the third buy-back programme.

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

Overview

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, as Sole Administrator and Fund Manager of Fondul Proprietatea presents the results of the Fund for the half-year ended 30 June 2014, with an unaudited net profit of RON 1,054.5 million (net profit for the half-year ended 30 June 2013 was RON 514.6 million). Total shareholders' equity was RON 11,152.8 million as at 30 June 2014, an increase of 2.5% compared to the value of RON 10,885.0 million as at 31 December 2013.

The main factor behind the increase of profit in the first six month of 2014 was the gain on disposal of financial assets.

The Fund reported a Net Asset Value ("NAV") of RON 14,850.5 million as at 30 June 2014 and a Net Asset Value per Share ("NAV/share") of RON 1.2518 (a positive NAV per Share total return of 4.7% compared to the end of 2013). The NAV is prepared in accordance with local rules issued by the capital market regulator.

The overall upward trend of the Fund's NAV performance in H1 2014 was correlated with the overall conditions on the BVB, which positively impacted the valuation of the listed holdings in the Fund's portfolio.

In the first half of 2014, the Bucharest Stock Exchange was the best performing market 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)	5.1%	7.5%
PX (Czech Republic)	2.0%	1.9%
WIG20 (Poland)	0.3%	0.1%
ATX (Austria)	-1.8%	-1.8%
BUX (Hungary)	0.2%	-4.1%

NAV and Share Price Developments	Note	H1 2014	H1 2013	YE 2013	Changes	
					H1 2014 vs H1 2013	H1 2014 vs YE 2013
Total Shareholders' Equity (RON million)	a	11,152.8	11,613.1	10,885.0	-4.0%	+2.5%
Total NAV (RON million)	b, d	14,850.5	14,998.5	15,013.7	-1.0%	-1.1%
NAV per Share (RON)	b, d	1.2518	1.1514	1.2436	+8.7%	+0.7%
NAV per Share Total Return (%)*	c	+4.7%	+4.9%	+13.3%		
Share Price as at the end of the period (RON)		0.8530	0.6195	0.8335	+37.7%	+2.3%
Share Price Total Return (%)*	c	+9.0%	+19.9%	+61.3%		
Gross Dividends Declared (RON per share)		-	0.04089	0.04089		
Return of capital to shareholders (RON per share)		0.05	-	-		
Share Price Discount to NAV as at the end of the period		31.9%	46.2%	33.0%		

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch and BVB
*Compared to the end of the previous year

Notes:

- Prepared in accordance with 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 number of treasury shares (treasury shares acquired through buybacks are excluded)

from the number of shares used in the computation of NAV per share) and in paid capital during the period

The NAV (calculated according to local rules issued by the capital market regulator) is higher than the value of Shareholders' equity (calculated according to Romanian Accounting Regulations), principally due to the different valuation methodologies applied to financial assets, as illustrated in the following table:

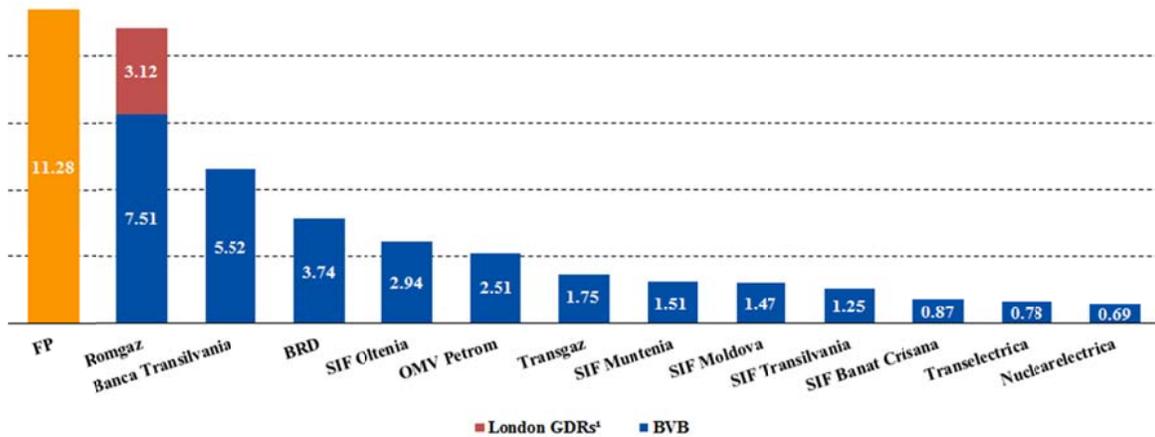
	Local Capital Market Regulations*	Romanian Accounting Regulations
Listed securities	Valued at closing market prices (regulated markets)	Valued at cost less adjustments for impairment
	Valued at reference prices (Rasdaq market)**	
Unlisted or illiquid listed securities	Valued as per latest issued annual financial statements (proportionally with the stake held) or using fair valuation methodologies	Valued at cost less adjustments for impairment

* Details on the valuation methods used for each company are presented in the Annex 2 to this report: with effect from 31 December 2012, the shares of companies under insolvency or reorganisation procedure are valued either at zero or at a value assessed by an independent authorised valuer, using valuation methods in accordance with International Valuation Standards (fair value principles). The shares of companies under judicial liquidation procedure, or any other liquidation procedures, as well as of companies under temporary or final suspension of operations, must be valued at zero until the respective procedures are completed.

** 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.

Significant Events

Average Daily Turnover in the six-month period ended 30 June 2014 (RON million)



Source: BVB, Bloomberg.
1. Excluding OTC trades.

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



Source: BVB

Investor Relations Update

In the first half of 2014, we continued our efforts to increase the profile and visibility of the Fund as well as of the local capital market, and of Romania in general to a broader international institutional investor base. During this period, we participated in 9 global and regional emerging and frontier market conferences in London, New York, Warsaw, and Zurs where we met with more than 100 investment analysts and portfolio managers interested to find 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 6 road-shows in the most important financial centres in Europe (London), United States (New York) and Middle-East (Dubai). During the road-shows the Fund's management team had individual and group meetings with representatives from over 50 institutional investment firms, both current shareholders and potential investors.

On 5 – 6 February, we organised in collaboration with the Bucharest Stock Exchange and Raiffeisen Bank the “Romania Investor Days” in New York, the first such event focused on Romania and the local capital market. More than 60 representatives of international institutional investors with assets under management of over EUR 700 billion participated in the event. The first day of the event 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 CEO of the Fund Manager of Fondul Proprietatea. During the second day of the event, over 100 individual and group meetings were organised between the institutional investors and the 11 Romanian listed and unlisted companies participating to the conference.

During the period, we held two quarterly conference calls with analysts and investors in order to update them on the Fund’s financial results: on 13 February we organised the 2013 Preliminary Annual Results conference call to discuss the Fund’s preliminary results report released on the same day, while on 15 May we held the First quarter results conference call regarding the financial results of the Fund for the first 3 months of 2014. We also facilitated at the end of February a conference call between investors and analysts and the judicial administrator of Hidroelectrica following the Court of Appeal’s decision to reopen the insolvency procedure of Hidroelectrica.

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 the analysts covering the Fund. In addition, the Fund’s management team had 15 individual meetings with current and prospective investors, as well as over 45 conference calls with institutional investors interested in the Fund and its underlying portfolio holdings.

On 25 – 27 June 2014, Franklin Templeton Investment Management Ltd. Bucharest Branch with the cooperation of Wood & Company organised the 6th edition of the Analyst and Investor Days event, in Constanta (Mamaia). More than 170 institutional investors with EUR 500 billion in assets under management, analysts covering the Fund, and corporates participated over the 3 day event. On 25 June, the participants visited the nuclear reactors of Nuclearelectrica, in Cernavoda, and the operations of the Port of Constanta. The second day of the event featured presentations from the U.S. Embassy, the IMF, the National Bank of Romania, the Financial Supervisory Authority, the Romanian Senate, the Bucharest Stock Exchange, the Privatization Office within the Energy Department, A.T. Kearney, and from the Fund Manager of the Fund, as well the management of the top portfolio companies: Petrom, Romgaz, Nuclearelectrica, CE Oltenia, Transelectrica, Hidroelectrica, and Posta Romana. On the third day of the event, over 100 individual and group meetings were organised between institutional investors and the management of some of the largest portfolio companies.

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.

Secondary Listing Update

As announced previously, in March 2014, the Fund Manager issued its recommendation to shareholders regarding the secondary listing of the Fund on the Specialist Fund Market (“SFM”) of the London Stock Exchange (“LSE”). The Fund Manager also announced that it has selected the consortium of investment banks to assist with the secondary listing on the SFM of the LSE: Jefferies International Limited as the sole UK financial adviser, together with BRD - Groupe Societe Generale and Swiss Capital as local advisors, and Clifford Chance Badea as the legal advisor for the Fund.

Fungible trading between London and Bucharest is expected to be achieved via the use of Depositary Interests (“DIs”) in the United Kingdom. In this regard, a UK-based registrar and depositary would bridge the London and Bucharest markets by holding Shares through a local (Bucharest-based) custodian via Clearstream (clearing and settlement entity connected to the Central Depositary in Bucharest) and issuing DIs in London. Alternatively, the listing can be achieved via the use of Global Depositary Receipts (“GDRs”), but the current local regulations in Romania limit the issuance of GDRs to IPOs and in order for the Fund to be able to issue such GDRs, either the regulation should

change or the local FSA should issue a waiver for the Fund to be able to issue the GDRs. New local and foreign investors will be attracted via separate placements of shares facilitated by existing shareholders through accelerated placements and/or individual trades on the regular (open) market either at the same time or subsequent to the listing in London. The Fund Manager's recommendation regarding the secondary listing of the Fund on the LSE was approved by the Fund's shareholders on 28 April 2014.

The Fund Manager and the Consortium have started working with all stakeholders to ensure that the secondary listing of the Fund on the LSE via Depositary Interest will be completed in late September / early October. Currently, the only outstanding issue is the publication of the required changes to the local regulations which must be approved by the FSA to allow for the listing to go forward as planned.

Share Cancellation

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.

During the Annual General Shareholders' Meeting held on 28 April 2014, shareholders approved the decrease of the share capital through the cancellation of 1.1 billion shares repurchased by the Fund during the second buy-back programme. The share capital decrease will be effective after the endorsement from the Financial Supervisory Authority that can be obtained, according to the legislation in force, two months after the publication of the decision in the Official Gazette. The decision was published in the Official Gazette 3891/15 July 2014.

Buy-back Programmes

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

The buy-back programme can be executed within 18 months starting with the date the EGM Resolution was published in the Official Gazette, namely until 19 September 2015. The shares repurchased will be cancelled. Following the evaluation of the offers submitted in the brokers' selection process, Raiffeisen Bank has been selected to provide services for the third buy-back programme.

During 27 March - 30 June 2014, 210.7 million shares were repurchased at an average price of 0.8052 per share, for a total amount (excluding brokerage fees) of RON 169.6 million.

In its effort to return value to shareholders, the Fund Manager has proposed and shareholders approved on 28 April 2014 the fourth buy-back programme to repurchase 990,855,616 shares, which can be started after the completion of the third buy-back programme and the cancellation of the shares repurchased in the second buy-back programme. As with previous buy-backs, 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.

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 as such at the registration date (30 April 2014), proportionally with their participation to the Fund's paid 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.

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

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.

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.

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 interpretation, 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 interpretation 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, and the FSA’s approval was issued on 25 June 2014.

Main updates on litigations

In the administrative file regarding the legal action filed by the Fund against the Financial Supervisory Authority for the endorsement of the Addendum no. 2 to the Investment Management Agreement, the Bucharest Court of Appeal announced on 24 April 2014 that it ruled against the Fund and dismissed the claim. The Fund appealed the decision and the Supreme Court of Justice needs to set the first hearing.

Subsequent Events

Disposal of the holding in Transelectrica

In July 2014, the Fund sold the entire holding in Transelectrica (9,895,212 ordinary shares) at RON 21.50 per share, following the completion of the bookbuilding process which was announced on 9 July 2014.

Completion of the third buy-back programme

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 share capital) through daily acquisitions on the Bucharest Stock Exchange. The total value of the buy-back programme was RON 205,460,539.53 (excluding brokerage fees and other acquisition related costs), and the average price was approximately RON 0.8125 per share. The Fund Manager will request shareholder approval for the cancellation of the shares repurchased in the third buy-back programme, at the next general meeting of shareholders.

Updates on the fourth buy-back programme

The Fund Manager intends to continue with share buy-backs in accordance with the Fund's Investment Policy Statement, and will start the fourth buy-back programme, approved by shareholders on 28 April 2014, as soon as the share capital decrease correspondent to cancellation of the shares repurchased in the second buy-back programme will become effective.

The legal provisions in force require that the Shareholders' Resolution for the approval of the change of the Constitutive Act for the share capital decrease has to be endorsed by the FSA in order to be effective. The FSA may issue the decision only after a legal term of two months elapses since the publication of the Shareholders' Resolution in the Official Gazette, which was performed on 15 July 2014. Therefore, the response from the FSA on the endorsement is reasonably expected soon after 15 September 2014.

Partial endorsement by the FSA of the new Investment Management Agreement ("IMA")

In August, the FSA issued Endorsement no. 111/4 August 2014, whereby it endorsed with comments the new IMA no. 45/29 April 2014 concluded between the Fund and the Fund Manager, approved by Resolution no. 1 of the Fund's Ordinary General Shareholders Meeting held on 28 April 2014.

The FSA proposed the following changes to the terms of the IMA, with the argumentation that the amendments requested are based on the Government Decision no. 1514/2008 issued for the first selection process of the Fund Manager that was initiated during 2008 and based on Law no. 247/2005 for setting-up the Fund:

- Force Majeure Event clauses;
- New Appointment Date definition;
- Clause 9.6 related to the agenda of October 2015 GSM;
- Clauses 13.3 and 13.4 letter b) regarding the termination of the agreement;
- Clause 14.3 regarding AIFMD implementation;
- Clause 19 regarding the governing law and dispute resolution;
- Clause 21.2 regarding the key employees;
- Clause 22 regarding the language of the IMA;
- Elimination of Distribution fee.

According to this Endorsement, the Fund has the obligation to submit the requested amendments to the IMA for shareholders' approval.

Analysis of the Activity of the Fund

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 NAVs 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 NAV calculation based on best international practice suitable for a closed-end listed fund.

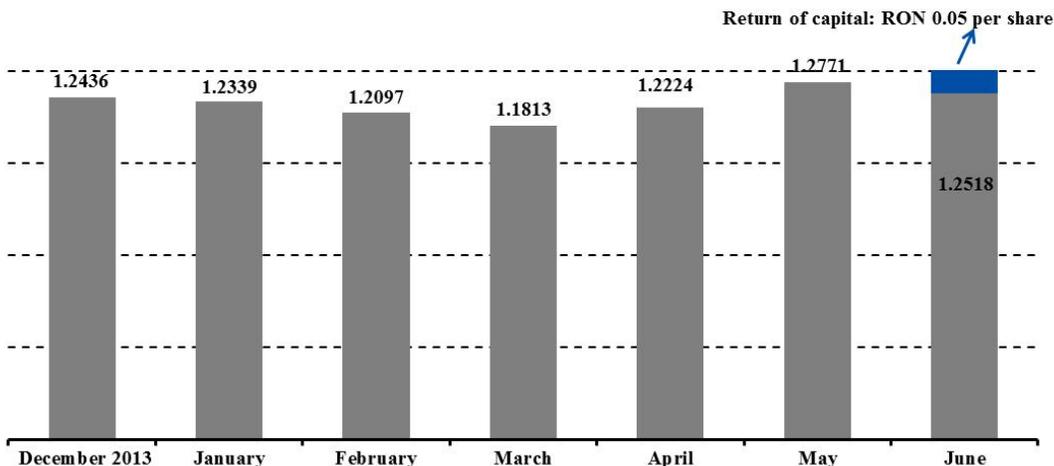
Listed securities are valued at closing market prices, if listed on regulated markets or reference prices, if listed on Rasdaq (reference price is considered the closing price for the securities listed on section RGBS of Rasdaq and the average price for the securities listed on section XMBS of Rasdaq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

With effect from December 2012, the 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 which permit fair valuation (previously such holdings were valued at zero, until the procedure was finalised). The 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.

With effect from December 2012, treasury shares acquired through buybacks 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 30 June 2014:

NAV/share (RON/share)



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

The blue 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 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 vs. 31 March 2014) and to the third buyback 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 others, 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 compared to the previous month NAV was a decrease of RON 123.1 million or RON 0.0101 per share.

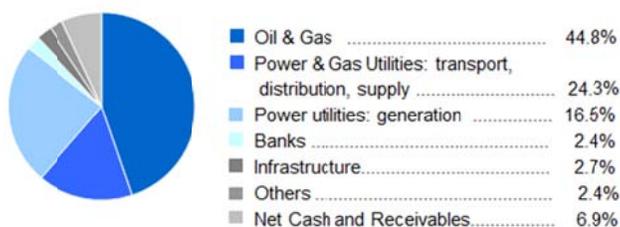
Company name	Value in NAV 30 June 2014 RON million	Value in NAV 31 May 2014 RON million	Impact in total NAV RON million	Impact in NAV/share* RON
E.ON Energie Romania SA	130.9	95.2	35.7	0.0030
Complexul Energetic Oltenia SA	120.0	322.0	(202.0)	(0.0167)
ENEL Energie SA	74.3	45.6	28.7	0.0024
Enel Energie Mutenia SA	65.1	49.2	15.9	0.0013
Aeroportul International Mihail Kogalniceanu - Constanta SA	2.3	3.7	(1.4)	(0.0001)
TOTAL	392.6	515.7	(123.1)	(0.0101)

*Computed based in the number of shares used in NAV per share computed as at 31 May 2014

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 93.1% of the Fund's NAV as at 30 June 2014. As at that date, the portfolio was composed of holdings in 58 companies (20 listed and 38 unlisted), containing a combination of privately held and state-controlled entities.

Portfolio Structure - by Sector



- The portfolio remained heavily weighted in power, oil and gas sectors (approx. 85.6% of the NAV), through a number of listed and unlisted Romanian companies.
- Net cash and receivables includes bank deposits, current bank accounts, treasury bills and short-term government bonds, dividend receivables, as well as other assets, net of all liabilities (including dividends and the liabilities to shareholders related to the return of capital) and provisions.

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 30 June 2014, based on NAV reports submitted to the FSA.

Portfolio Structure – Equity Investments - Listed Versus Unlisted



- The largest listed company is OMV Petrom (68.3% of total value of listed companies in the portfolio)
- The largest unlisted company is Hidroelectrica (33.8% of the total value of unlisted companies in the portfolio).

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 30 June 2014, based on NAV reports submitted to the FSA.

Top 20 Equity Investments

No	Name	Fund's Stake (%)	Value as at	% of NAV
			30 June 2014 (RON million)	
1	OMV Petrom SA	18.99%	5,185.7	34.9%
2	Hidroelectrica SA	19.94%	2,105.2	14.2%
3	Romgaz SA	10.00%	1,337.4	9.0%
4	ENEL Distributie Banat SA	24.12%	573.2	3.9%
5	ENEL Distributie Muntenia SA	12.00%	473.1	3.2%
6	GDF Suez Energy Romania	12.00%	404.4	2.7%
7	ENEL Distributie Dobrogea SA	24.09%	379.1	2.6%
8	E.ON Moldova Distributie SA	22.00%	345.4	2.3%
9	Electrica Distributie Muntenia Nord SA	21.99%	296.2	2.0%
10	CN Aeroporturi Bucuresti SA	20.00%	287.7	1.9%
11	BRD - Groupe Societe Generale	3.64%	239.4	1.6%
12	Transelectrica SA	13.49%	222.6	1.5%
13	Nuclearelectrica SA	9.72%	221.2	1.5%
14	Electrica Distributie Transilvania Nord SA	22.00%	206.7	1.4%
15	Electrica Distributie Transilvania Sud SA	21.99%	192.0	1.3%
16	E.ON Gaz Distributie SA	12.00%	165.2	1.1%
17	E.ON Energie Romania	13.39%	130.9	0.9%
18	Conpet SA	29.70%	127.3	0.9%
19	Complexul Energetic Oltenia SA	21.55%	120.0	0.8%
20	Banca Transilvania	2.93%	115.9	0.8%
Top 20 equity holdings			13,128.6	88.5%
Total equity holdings			13,826.1	93.1%
Net cash and receivables			1,024.3	6.9%
Total NAV			14,850.5	100.0%

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 30 June 2014, based on NAV reports submitted to the FSA.

Key Portfolio Developments in the Period

Acquisitions and Disposals

During the first six months of 2014, the Fund sold its entire holdings in Erste Group Bank, Raiffeisen Bank, Resib SA, Turdapan SA and part of its holding in Romgaz SA (19,243,000 shares, at a price of RON 33.50 per share or USD 10.32 per share, through an accelerated book building offering), Oil Terminal SA and Primcom SA (134,793 shares, at a price of 30 RON per share, in a 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 April 2014, the Fund received:

- 26,904 shares in CE Oltenia SA (having a nominal value of RON 269,904), following a share capital increase by the company.
- 99,999 shares in Hidroelectrica SA with a total nominal value of RON 999,990. This was a share capital increase in Hidroelectrica SA 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, following a share capital increase through the incorporation of reserves. In 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 company's share capital, the new total number of shares held by the Fund in Administratia Porturilor Dunarii Maritime increased to 56,675 (from 21,237 shares held previously), while the holding decreased to 7.7% (from a 20% holding). The Fund continues to seek in Court the annulment of the share capital increase operation.

Also in May 2014, the Fund received 10,347,301 bonus shares (having a nominal value of RON 1 /share) in Banca Transilvania SA, as a result of the share capital increase of this company through incorporation of reserves. The value of the shares received from Banca Transilvania SA is reflected in other non-current assets category until their registration is completed at the Central Depository in Fund's account.

Energy Sector Updates

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 has 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 industrial consumers and 51.8 RON/MWh for household consumers. According to Law 123/2012, which came into force on 19 July 2012, gas prices should be fully liberalised by the end of December 2014 for non-households and by the end of December 2018 for household consumers per the table below:

Starting date	Non-household consumers		
	Convergence degree (%)	Internal production price (RON/MWH)	Final price growth (%)
01.12.2012	35	49.0	5
01.04.2013	40	55.3	5
01.07.2013	47	63.4	5
01.10.2013	51	68.3	3
Annual growth of the final price 2013 (%)			18
01.01.2014	55	72.0	4
01.04.2014	71	89.4	5
01.07.2014	91	109.0	5
01.10.2014	100	119.0	4
Annual growth of the final price 2014 (%)			18

Starting date	Household consumers		
	Convergence degree (%)	Internal production price (RON/MWH)	Final price growth (%)
01.12.2012	33	45.7	0
01.04.2013	33	45.7	0
01.07.2013	36	48.5	8
01.10.2013	37	49.8	2
Annual growth of the final price 2013 (%)			10
01.01.2014	38	50.6	2
01.04.2014	41	51.8	2
01.07.2014	44	53.3	3
01.10.2014	46	54.6	3
Annual growth of the final price 2014 (%)			10
01.01.2015	47	56.1	2
01.04.2015	49	58.9	3
01.07.2015	52	62.0	4
01.10.2015	54	64.1	3
Annual growth of the final price 2015 (%)			12
01.01.2016	56	67.1	3
01.04.2016	60	71.7	3
01.07.2016	64	76.5	3
01.10.2016	66	78.5	3
Annual growth of the final price 2016 (%)			12
01.01.2017	69	82.0	2
01.04.2017	73	86.9	2
01.07.2017	78	93.0	5
01.10.2017	81	96.5	3
Annual growth of the final price 2017 (%)			12
01.01.2018	83	99.2	3
01.04.2018	89	106.3	3
01.07.2018	97	115.1	3
01.10.2018	100	119.0	3
Annual growth of the final price 2018 (%)			12

On 24 June 2014 the Government Emergency Ordinance no. 35/2014 entered into force, which modifies Law no. 123/2012 regarding Electricity and Natural Gas. The changes were done in order to introduce the obligation of natural gas producers to sell a certain percent of their production on a regulated market, as per the decisions of Agentia Nationala de Reglementare in Domeniul Energiei (“ANRE”), the Romanian energy market regulator.

Special infrastructure tax

On 15 November 2013 the Government Emergency Ordinance no. 102/2013 (“GEO no. 102/2013”) entered into force, which modifies Law no. 571/2013 regarding the Fiscal Code and regulation of certain financial and fiscal measures.

A new tax of 1.5% was introduced by GEO no. 102/2013 on the value of special constructions as defined by the Fiscal Code.

The new tax is due by Romanian companies, by office of non-resident companies and by legal entities established in Romania in accordance with European law.

Hidroelectrica 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 is placed back under the reorganisation procedure and the former judicial administrator is 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 and to table of creditors.

Update on the Largest 20 Portfolio Companies

BRD – Groupe Societe Generale

RON million	2012	2013	H1 2013**	H1 2014**	2014*
Net Banking Income	3,046.6	2,836.3	1,361.3	1,243.7	Expected decrease due to lower net interest income
Gross Operating Income	1,613.5	1,491.3	748.2	636.0	n/a
Net Cost of Risk	1,943.0	2,130.8	659.2	492.1	Significant improvement
Net profit / (loss)	(298.8)	(387.5)	62.2	122.9	Expected return to profitability
Dividends	-	-			

Source: Based on consolidated IFRS financial statements

* Budget

** IFRS unconsolidated results

August: The bank published 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 to 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 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.

CN Aeroporturi Bucuresti

RON million	2012	2013*	2014**
Sales	555.5	582.6	676.8
Operating profit	80.9	93.9	40.1
Net profit	53.1	71.9	25.3
Dividends	45.7	64.1***	-

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

*2013 financial statements subject to shareholders' approval

** Budgeted figures

*** Proposed dividends, not yet approved by shareholders

May: The entire Board of Directors of the company was replaced in a shareholders 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 appointment procedures as outline by EGO 109/2011. Fondul Proprietatea has contested in courts the legality of the decisions taken by this GSM.

May: 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.

Complexul Energetic Oltenia

RON million	2012	2013	Q1 2013	Q1 2014
Sales	3,347.1	4,278.2	1,170.4	1,013.9**
Operating profit / (loss)	44.5	(28.0)	107.3	58.4
Net profit	118.3	4.5	153.8***	40.1***
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)

** Operating revenues

*** Earnings before taxes (EBT)

In the first quarter of 2014 ("Q1 2014") CE Oltenia 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 decrease in revenues and profitability are mainly related with the 13% drop in the average selling price y.o.y. from 208.2 RON/MWh in Q1 2013 to 181.2 RON/MWh in the same period of 2014.

Conpet SA

RON million	2012	2013	Q1 2013	Q1 2014	2014*
Sales	334.2	348.9	84.4	91.8	388.5**
Operating profit	29.9	29.9	12.0	16.0	26.9
Net profit	30.8	31.3	12.4	14.8	30.3
Dividends	28.3	29.5			

Source: Based on IFRS financial statements

* 2014 Budget communicated by the company, but not submitted to shareholders approval yet.

** Operating income

March: Shareholders approved the Board's administration plan for the period 2013-2017. Also, the Board was mandated to propose to shareholders, in the next four months, a variable remuneration plan both for non-executive directors and the General Manager that would depend on the performance of Conpet share price (share options plan or equivalent).

May: During the first three months of the year, the company reported a net profit of RON 14.8 million up 19.2% y.o.y., while turnover advanced by 8.8% compared to the similar period of the previous year. During the period, total volumes transported by Conpet reached 1.55 million tonnes, up 19.4% y.o.y.

E.ON Gaz Distributie SA

RON million	2012	2013	2014*
Operating Revenues	764.5	796.4	748.0**
Operating profit	82.7	73.9	50.0
Net profit	73.0	67.8	37.0
Dividends	-	249.5***	-

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 increased between 28 – 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 (absorbed company) with the gas distributor E.ON Gaz Distributie. Based on the valuations reports prepared for the purpose of the merger, the Fund stake in the combined entity would be around 18.3%. Management intends effective date of the merger to be 31 December 2014. The merger still needs the approval of the shareholders in the two companies.

E.ON Moldova Distributie

RON million	2012	2013	2014*
Operating Revenues	688.8	766.4	679.0**
Operating profit	83.8	106.7	85.0
Net profit	71.3	87.0	71.0
Dividends	-	-	-

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

*Budgeted figures

**Distribution revenues

E.ON Energie Romania

RON million	2012	2013	2014*
Operating Revenues	5,369.3	4,766.7	5,326.0
Operating profit	(15.8)	226.6	159.0
Net profit	(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 (“EDMN”)

RON million	2012	2013	2014*
Total revenues	752.3	792.8	813.5
Operating profit	99.1	132.6	127.4
Net profit	87.1	126.5	106.7
Dividends	73.7	105.5	-

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

*Budgeted figures

Electrica Distributie Transilvania Nord (“EDTN”)

RON million	2012	2013	2014*
Total revenues	609.1	656.3	677.4
Operating profit	68.8	88.0	99.5
Net profit	53.1	63.7	78.2
Dividends	-	-	-

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

*Budgeted figures

Electrica Distributie Transilvania Sud (“EDTS”)

RON million	2012	2013	2014*
Total revenues	674.4	716.1	733.1
Operating profit	61.7	90.3	108.0
Net profit	45.8	69.3	88.5
Dividends	-	55.2	-

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

*Budgeted figures

ENEL Distributie Banat (“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 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.

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

ENEL Distributie Dobrogea (“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

ENEL Distributie Muntenia (“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

GDF Suez Energy Romania

RON million	2012	2013	2014*
Turnover	4,047.0	4,127.1	4,448.6
Operating profit	423.3	518.7	453.3
Net profit	360.1	447.1	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 industrial clients and 5.7% for households⁶.

July: Company announced that it finalized the acquisition of the controlling stake (85.77%) in Congaz Constanta from E.ON Ruhrgas and OMV Petrom. Congaz is a regional gas distributor which operates approximately 850 km of network. Before this transaction GDF Suez Energy Romania owned 28.59% in Congaz.

Hidroelectrica

RON million	2012	2013	2014*
Turnover	2,402.8	3,083.0	2,522.0**
Operating profit	(321.6)	1,016.0	399.9
Net profit / (loss)	(508.0)	718.0	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 company's key positions: Trading, Finance, Investments, IT, Internal Audit, Internal Control, Procurement, Strategy.

July: Following the implementation of the initiatives to optimize the cost base the company reported the strongest profitability for the first half of the year in its history: pre-tax profit of RON 509 million compared with a pre-tax profit of RON 481 million in 2013.

Nuclearelectrica

RON million	2012	2013	Q1 2013	Q1 2014	2014*
Sales	1,652.4	1,932.5	513.6	461.5	1,746.6
Operating profit	156.5	459.3	178.5	89.1	38.1
Net profit	19.9	426.9	145.3	101.8	27.9
Dividends**	28.5	340.9			14.2

Source: Based on IFRS consolidated financial statements audited

* Budgeted figures, subject to shareholders' approval

**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 3.74TWh (approx. 35.5% of the electricity production estimated for 2014) from 5.3TWh in 2013 at a regulated tariff of 145.8 RON/MWh (+2.6% y.o.y). On 23 January 2014 the company started litigation against this decision due to the fact that the regulator didn't recognise in the regulated tariff part of the costs incurred by Nuclearelectrica.

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

March: The shareholders' meeting approved Nuclearelectrica's equity investment into Hidro Tarnita S.A. 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

⁶ ANRE Order no. 22 issued on 28 March 2014

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.

March: The company released the 2013 preliminary financial statements and also 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%, a gross dividend of RON 1.21 per share respectively. The General Meeting of Shareholders 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 Q1 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. The profitability was negatively impacted by the tax on special infrastructure, which diminished operating profit by RON 22 million.

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

July: On 31 July 2014 the General Shareholders meeting of Nuclearelectrica SA rejected Fondul Proprietatei's proposal to grant variable remuneration linked to the performance of the company's shares to the administrators of the company.

OMV Petrom

RON million	2012	2013	Q1 2013	Q1 2014	2014*
Sales	26,258.1	24,185.2	5,789.0	5,296.0	17,140.0
Operating profit	5,662.0	5,957.9	1,582.0	1,472.0	4,405.0
Net profit	3,946.1	4,824.0	1,332.0	1,075.0	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 several countries where they operate. This is part of the company's ongoing efforts to increase efficiency.

May: The company reported results for Q1 2014: Total sales decreased 9% to RON 5.3 billion, EBIT decreased 7% to RON 1.47 billion and net income decreased 19% to RON 1.07 billion. Total hydrocarbon production reached 16.36 million barrels of oil equivalent ("mboe"), a decline of 1% compared to the same period in 2013.

Romgaz

RON million	2012	2013	Q1 2013	Q1 2014	2014**
Sales	3,837.9	3,894.3	1,156.4	1,449.3	5,089.5
Net profit	1,119.2	995.6	332.8	608.4	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 has 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 Q1 2014. Total sales increased 25.3% to RON 1.45 billion and net income increased 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 General Manager and Head of the Commercial Department.

June: The company announced that starting 13 June 2014, Mr. Adrian Volintiru has 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.

June: Romgaz announced that Electrocentrale Galati SA, which is amongst the company's 5 largest clients in terms of volumes delivered, has 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 Q1 2014 sales to this client amounted to RON 54.5 million, equivalent to 5% of revenues from domestic gas sales. As of the end of Q1 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.

Transelectrica

RON million	2012	2013	Q1 2013	Q1 2014	2014*
Operating Revenues	2,801.0	2,494.8	577.9	698.9	2,526.3
Operating profit	112.8	270.5	108.3	164.8	157.1
Net profit	47.9	206.4	91.8	136.5	96.9
Dividends**	29.6	163.3			

Source: Based on consolidated IFRS financial statements

*Budgeted figures

**Dividends based on individual financial statements

February: Danut Sandu resigned as member of the Supervisory Board and Remus Vulpesu was temporarily appointed to replace him. The Supervisory Board also decided to revoke Mihaita Boangiu as member of the Directorate.

The Government approved a Government Emergency Ordinance to transfer the state's ownership in the company from the Ministry of Public Finance to the Government General Secretary. The ownership transfer between the state's institutions was registered by the Central Depository in April. Moody's Investors Service confirmed the company's long term corporate rating of Ba2, while the outlook was changed from negative to stable. The decision reflects the company's ability to strengthen its liquidity position through the recent issue of a RON 200 million bond, thus reducing company's reliance on short term bank loans.

March: The company announced that the European Commission fined the company's subsidiary OPCOM (the energy market operator) with EUR 1 million according to the antitrust legislation. Transelectrica is held liable with OPCOM for paying the fine.

April: On 29 April, shareholders did not confirm Dragos Andrei and Remus Vulpesu as members of the Supervisory Board.

April: Shareholders approved the modification of the constitutive act of the company and introduced a new paragraphs which state that "shareholders representing at least 5% of the share capital will exercise their ownership rights in accordance with the Electricity and natural gas law 123/2012".

In the case of Fondul Proprietatea, this provision impacts the Fund's ability to exercise voting rights, including the appointment of Supervisory Board members, Directorate members or any other bodies representing the company.

May: On 12 May the company announced that the mandate of the CEO, Stefan Bucataru was terminated by mutual consent. Ion-Toni Teau, the head of the Supervisory Board, was appointed as new CEO of the company.

Radu Stefan Cernov was appointed as temporary member of the Supervisory Board until the general shareholders' meeting. Supervisory Board members elected Ms Carmen Georgeta Neagu as President of the Supervisory Board.

June: The management plan of the Directorate was approved by the Supervisory Board. The plan is correlated with the administration plan of the Supervisory Board, as approved by shareholders in 2013.

The company announced that it signed a contract for the execution of a high voltage interconnection power grid between Romania and Serbia. Total length of the grid will be 131 km, of which 63 km on the Romanian territory. The value of the investment is RON 81 million and is estimated to be completed in 2015.

July: The Fund disposed of its entire stake in Transelectrica through an accelerated bookbuilding process.

Banca Transilvania

RON million	2012	2013	Q1 2013	Q1 2014	2014*
Operating income	1,587.3	1,759.6	356.8	424.7	942.0
Net impairment losses	437.0	462.2	78.5	102.1	430.0
Net profit	346.5	408.6	84.4	103.4	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.

April: The bank reported results for Q1 2014. Operating revenues increased 19% to RON 424.75 million and net income increased 22.6% to RON 103.4 million. Total assets increased 2.7% to RON 32.9 billion.

May: Horia Ciorcila, the President of the bank's Board of Directors was reported with 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.

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
Current accounts	5.6	1.3	0.7
Bank deposits	232.1	144.2	490.6
Treasury bills and Short-Term government bonds	213.6	289.1	933.5
Total liabilities	(31.2)	(35.0)	(649.9)
Net cash & cash equivalents	420.1	399.6	774.9
Net Assets Value	15,013.7	14,253.3	14,850.5
% net cash & cash equivalents in NAV	2.8%	2.8%	5.2%

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

The increase of **bank deposits** and **treasury bills and short-term government bonds** during the six-month period ended 30 June 2014 was mainly due to the cash inflows from dividends collected from portfolio companies (RON 419.9 million) and from the proceeds on the partial disposal of the holding in Romgaz SA (RON 643.2 million) and on the disposal of the holdings in Raiffeisen Bank and Erste Bank (RON 113.2 million in total), net of the cash outflows for the funding of the third buy-back programme started in March 2014 (RON 161.2 million).

The increase of **total liabilities** was mainly due to the recording of the liabilities to shareholders related to the return of capital of RON 0.05 per share (RON 601.3 million in total), approved by shareholders in February 2014, and recorded following the endorsement by the FSA of the share capital decrease (by decreasing the nominal value of Fund's shares from RON 1 to RON 0.95) in June 2014.

Total Expense Ratio

The annualised total expense ratio of the Fund as at 30 June 2014 was 0.66%, while excluding transaction related expenses this would be 0.58% (2013: 0.58%, and excluding transaction related expenses 0.50%). This figure represents the expenses of the Fund (annualised) divided by the period end NAV. For the purpose of this calculation, expenses do not include foreign exchange losses, cost of equity investments disposed of, impairment adjustments, fair value adjustments, expenses with amortisation and provisions or corporate income tax expenses.

The increase is mainly due to the higher investment management and administration fees (due to the increase of the Fund's market capitalisation in 2014, based on which these fees were calculated). Please see *Financial Statements Analysis* section for more details on the Fund's expenses.

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 30 June 2014, the Fund's exposure to Romanian equities accounted for 93.1% of the NAV (the remaining 6.9% being 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 5.1% over the course of the first half of 2014 and an increase of 30.7% compared with the same period of the last year, 30 June 2013.

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 Fund's accounting and reporting software, net of accumulated amortisation.

Corporate Governance of the Fund

Changes affecting the capital of the Fund during the six-month period ended 30 June 2014

Cancelation of the treasury shares acquired in the first buyback programme in 2011

At the Annual Shareholder Meeting on 25 April 2012, the Fund's shareholders approved the decrease of the share capital of the Fund through the cancellation of the 240.3 million shares repurchased by the Fund in 2011, during the first buy-back programme.

The shareholder resolution implementation was delayed by litigations started by a shareholder of the Fund. According with the FSA decision no.1/21 February 2014, FSA endorsed the decrease of the subscribed share capital of the Fund, from RON 13,778,392,208 to RON 13,538,087,407, following the cancellation of 240,304,801 treasury shares acquired by the Fund during the first buy-back programme in 2011. The share capital decrease is effective beginning with 24 February 2014.

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

In April 2014, the Fund's paid-up share capital increased as follows:

- The Fund Manager issued Decision 14/4 April 2014, in which it acknowledged that the Romanian State had transferred 26,904 shares in CE Oltenia with a total nominal value of RON 269,040, as share capital contribution against the unpaid capital, according to GEO 81/2007.
- The Fund Manager issued Decision 16/7 April 2014, in which it acknowledged that the Romanian State had transferred 99,999 shares in Hidroelectrica with a total nominal value of RON 999,990, as share capital contribution against the unpaid capital, according to GEO 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 two decisions, the subscribed capital of the Fund remained unchanged at RON 13,538,087,407 and the paid-up capital increased to RON 13,174,101,815.

Share capital decrease for returning the capital to shareholders

In the Extraordinary General Shareholders of Fondul Proprietatea, the shareholders approved the share capital decrease of the Fund from RON 13,538,087,407 to RON 12,861,183,036.65, through the reduction of the par value of the shares of Fondul Proprietatea from RON 1.00 to RON 0.95, as well as the approval of the payment to the shareholders of a part of their contributions, proportionally with their participation to the paid share capital of the Fund, published in the Official Gazette of Romania, Part IV, no. 2216/15 April 2014. According with the FSA decision no.75/25 June 2014, FSA endorsed the decreased of the subscribed share capital of the Fund from RON 13,538,087,407 to RON 12,861,183,036.65 (divided in 13,538,087,407 shares with a nominal value of RON 0.95 per share) and the value of the paid-up share capital is RON 12,515,396,724.25 (divided in 13,174,101,815 shares with a nominal value of RON 0.95 per share).

Shareholders' approval of the cancelation of the treasury shares acquired in the second buyback programme in 2013

At the Annual Shareholder Meeting on 28 April 2014, the Fund's shareholders approved the decrease of the share capital of the Fund through the cancellation of the 1,100.95 million shares repurchased by the Fund in 2013, during the second buy-back programme.

The shareholder resolution implementation is expected to be concluded in September 2014, after FSA endorsement.

Addendum 3 to the Investment Management Agreement

On 19 June 2014, FSA issued the endorsement no. 70/ 19 June 2014, whereby it has endorsed certain amendments to the Investment Management Agreement concluded between the Fund and FTIML Bucharest Branch ("IMA"), according to Addendum no. 3/17 May 2013, which was approved by Resolution no. 3 of the Fund's Ordinary General Shareholders Meeting held on 25 April 2013.

Changes to the Constitutive Act

On 17 April 2014 FSA has issued Decision no. 3/17 April 2014 whereby it has endorsed certain amendments to the Fund's Constitutive Act approved by the shareholders starting with April 2013.

Also, on 25 June 2014 has issued Decision no. 75/25 June 2014, endorsing several amendments to the Fund's Constitutive Act approved by the Fund's shareholders on February and April 2014 general meetings.

For the Constitutive Act updated with the amendments endorsed by FSA please see *Annex 8*.

The renewal of the mandate of the Fund Manager and Sole Director

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 already registered with Trade Registry and the new Investment Management Agreement that enters in force beginning with 30 September 2014 needs to be endorsed by the FSA. For other details on this subject, please read the section related to subsequent events

Financial Statements Analysis

The unaudited Financial Statements for the six month period ended 30 June 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 six month period ended 30 June 2014.

Balance Sheet

RON million	31 December 2013 Audited	30 June 2014 Unaudited
Intangible assets	0.8	0.6
Financial assets	10,490.6	10,157.0
Non-current assets - total	10,491.4	10,157.6
Current assets - total	454.1	1,659.9
Prepaid expenses	-	0.2
Payables within one year	31.2	649.9
Total assets less current liabilities	10,914.3	11,167.8
Provisions	29.3	15.0
Shareholders' equity	10,885.0	11,152.8

As at 30 June 2014, **intangible assets** included the value of the licenses and the implementation costs of 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 is 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.

In the six-month period ended 30 June 2014, the value of the financial assets decreased by RON 333.6 million mainly due to the partial disposal of the holding in Romgaz SA (total impact RON138.8 million) and disposal of the entire holdings in Erste Bank and Raiffeisen Bank (total impact of RON 122.9 million), combined with the net increase of the impairment adjustments of unlisted holdings valued by an independent valuer (mainly Complexul Energetic Oltenia: RON 201.6 million and Hidroelectrica SA: RON 134.2 million), which were partially offset by the reversal of the impairment adjustments for listed equity investments, principally for OMV Petrom SA (RON 131.3 million) and Transelectrica (RON 66.4 million).

The significant increase of the **current assets** since 31 December 2013 was mainly accounted for by the increase of the bank deposits and current accounts by RON 253.7 million and by the increase of the treasury bills and short-term government bonds by RON 719.9 million. This increase of cash and cash equivalents was mainly due to the cash inflows from dividends collected from portfolio companies (RON 419.9 million) and from the proceeds on the partial disposal of the holding in Romgaz SA (RON 643.2 million) and on the disposal of the holdings in Raiffeisen Bank and Erste Bank (RON 113.2 million in total), net of the cash outflows for the funding of the third buy-back programme started in March 2014 (RON 161.2 million).

As at 30 June 2014, **payables** included the liabilities to shareholders related to the return of capital of RON 0.05 per share (RON 601.3 million in total), approved by shareholders in February 2014, and recorded following the endorsement by the FSA of the share capital decrease (by decreasing the nominal value of Fund's shares from RON 1 to RON 0.95) in June 2014. The payments to shareholders started on 25 July 2014.

Income Statement

RON million	For the six-month period ended	
	30 June 2013 Unaudited	30 June 2014 Unaudited
Revenues from current activity, out of which:	874.8	1,452.6
Revenues from financial assets	604.8	649.8
Interest income	20.7	8.4
Reversal of impairment adjustments & provisions	1.0	30.0
Revenues from disposal of financial assets	247.8	762.4
Revenues from foreign exchange differences	0.1	1.3
Other income from current activity	0.4	0.7
Expenses from current activity, out of which:	360.2	383.2
Expenses from disposal of financial assets	318.9	328.2
Expenses from foreign exchange differences	0.1	2.1
Depreciation, provisions, losses from receivables and sundry debtors	1.6	2.0
Commissions and fees	11.4	14.1
Other expenses from current activity*	28.2	36.8
Gross Profit	514.6	1,069.4
Income tax expense	-	14.9
Net Profit	514.6	1,054.5

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

Revenues from financial assets represent dividend income earned from the Fund's portfolio companies, mainly from OMV Petrom SA RON 331.4 million, Romgaz SA RON 148.5 million and GDF Suez RON 33.6 million.

Interest income arose from deposits held with banks and from short-term government securities. The significantly lower level of interest income in the six-month period ended 30 June 2014 compared to the same period in 2013 is a reflection of both lower level of interest rates and lower average level of interest bearing assets (especially in the first 5 months of the year).

Revenues from disposal of financial assets represent the proceeds from the sales of portfolio company holdings (mainly Romgaz SA, Raiffeisen Bank and Erste 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 7.4 million in the first half of 2014 (half year ended 30 June 2013: RON 7.6 million), and the depositary bank's fees of RON 0.9 million (half year ended 30 June 2013: RON 0.9 million). During the first six months of 2014, commission and fees included also the intermediaries fees related to the disposals of equity investments, in the amount of RON 4.2 million (half year ended 30 June 2013: 2.0 million) and FSA and BVB related fees in amount of RON 1.2 million (half year ended 30 June 2013: 0.6 million).

The **income tax expense** arising 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 undertaken) 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.

Other expenses from current activity can be analysed as follows:

RON million	For the six-month period ended	
	30 June 2013	30 June 2014
	Unaudited	Unaudited
FTIML investment management and administration fees	20.5	26.2
Salaries and similar expenses	0.4	0.6
Other expenses	7.3	10.0
Other expenses from current activity	28.2	36.8

During the first half of 2014, **other expenses from current activity** increased by RON 8.6 million mainly due to the increase of the FTIML investment management and administration fees, in line with the increase of the Fund's share price upon which they are based.

Other expenses included mainly litigation assistance and legal advisory expenses (including expenses related to capital market transactions), other expenses related to transactions, investor relations expenses, expenses related to the valuation of the unlisted holdings and other advisory fees (for the Fund or Board of Nominees members).

Analysis of 2014 Income Statement by Quarters

Although this report covers the six-month period to 30 June 2014, given that the Fund reports on a quarterly basis, the following split has been prepared to show also the actual results for the period 1 April to 30 June to aid with comparison with the first quarter reporting.

RON million	Quarter ended		Half-year ended
	31 March 2014	30 June 2014	30 June 2014
	Unaudited	Unaudited	Unaudited
Revenues from current activity, out of which:	135.2	1,317.4	1,452.6
Revenues from financial assets	-	649.8	649.8
Interest income	3.7	4.7	8.4
Reversal of impairment adjustments & provisions	16.2	13.8	30.0
Revenues from disposal of financial assets	114.9	647.5	762.4
Revenues from foreign exchange differences	0.3	1.0	1.3
Other income from current activity	0.1	0.6	0.7
Expenses from current activity, out of which:	209.8	173.4	383.2
Expenses from disposal of financial assets	186.9	141.3	328.2
Expenses from foreign exchange differences	0.6	1.5	2.1
Depreciation, provisions, losses from receivables and sundry debtors	0.2	1.8	2.0
Commissions and fees	4.6	9.5	14.1
Other expenses from current activity *	17.5	19.3	36.8
Gross Profit / (Loss)	(74.6)	1,144.0	1,069.40
Income tax expense	4.4	10.5	14.9
Net Profit / (Loss)	(79.0)	1,133.5	1,054.5

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

Statement of Cash Flows

RON million	For the six-month period ended	
	30 June 2013 Unaudited	30 June 2014 Unaudited
Cash flows from operating activities		
Payments to suppliers and similar payments	(29.2)	(38.6)
Payments to employees and similar payments, including related taxes and contributions	(0.4)	(0.5)
Payments of other taxes and commissions	(7.6)	(7.9)
Income tax paid	-	(3.9)
Net cash used in operating activities	(37.2)	(50.9)
Cash flow from investments		
Dividends collected	552.5	419.9
Interests received	22.2	7.7
Payments for the purchase of intangible assets	(0.4)	-
Cash contributions to share capital of portfolio companies	(1.0)	-
Proceeds from the sales of financial assets	247.5	759.6
Other receipts related to financial assets	0.3	3.7
Net proceeds from / (payments for) government securities	(13.0)	(720.2)
Net cash from investment activities	808.1	470.7
Cash flow from financing activities		
Dividends paid, including related withholding tax	(127.8)	(4.0)
Payments for buybacks	(92.5)	(161.2)
Net cash flow used in financing activities	(220.3)	(165.2)
Net increase in cash and cash equivalents	550.6	254.6
Cash and cash equivalents at the beginning of the period	317.9	237.6
Foreign exchange differences on cash and cash equivalents	-	(0.9)
Cash and cash equivalents at the end of the period	868.5	491.3

Payments to suppliers and similar payments were higher in 2014 as compared with the same period in 2013, mainly due to the payment of the FTIML fees, which increased in line with the increase of the Fund's share price on which they are based.

Dividends collected were higher in 2013 compared with the equivalent period this year, mainly because the Fund collected a greater percentage of the dividends during the period (more than 90% in H1 2013 as compared to approximately 65% in H1 2014).

In 2014, **the proceeds from the sales of financial assets** were mainly related to the partial disposal of the holding in Romgaz SA (RON 643.2 million) and the disposal of the entire holdings in Raiffeisen Bank and Erste Bank (RON 113.2 million), while other small equity investments were also disposed of during the period: Turdapan SA, Resib SA and partial disposal in Oil Terminal SA and Primcom SA.

Dividends paid in 2013 principally included the 2012 dividend. The Fund declared a gross dividend of RON 536.4 million or RON 0.04089 per share in April 2013 relating to 2012 profits and began its distribution on 28 June 2013. Approximately 27% of the total distribution of RON 536.4 million was paid by 30 June 2013.

In 2014, the Fund Manager recommended, and the shareholders approved, the replacement of the annual dividend distribution with a return of capital 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.

Signatures:

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

Oana Truța
Legal Representative
13 August 2014

Prepared by
Mihaela Moleavin
Financial Reporting Manager

Annex 1

FONDUL PROPRIETATEA S.A.
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 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 Supervision Authority (“FSA”), approved by CNVM Order no. 13/2011, and with CNVM Instruction no. 5/2006, as subsequently amended, regarding semi-annual accounting reporting system (“Romanian Accounting Regulations”)

(This is a translation from the official Romanian version)

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	Row	Note	Balance	
			1 January 2014	30 June 2014
	B		1	2
IV. CASH AND BANK ACCOUNTS				
(acc. 5112 + 5121 + 5122 + 5123 + 5124 + 5125 + 5311 + 5314 + 5321 + 5322 + 5323 + 5328 + 5411 + 5412 + 542)	33		237,573,615	491,268,698
CURRENT ASSETS - TOTAL (rows 23 + 29 + 32 + 33)	34		454,118,237	1,659,877,264
C. PREPAID EXPENSES (acc. 471)	35		43,882	157,329
D. PAYABLES WITHIN ONE YEAR				
4. Trade payables (acc. 401 + 404 + 408)	39		17,189,337	18,535,636
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	631,378,456
TOTAL: (rows 36 to 43)	44	2	31,164,171	649,914,092
E. NET CURRENT ASSETS OR NET CURRENT LIABILITIES (rows 34 + 35 - 44 - 60.2)	45		422,997,948	1,010,120,501
F. TOTAL ASSETS LESS CURRENT LIABILITIES (rows 19 + 45)	46		10,914,387,537	11,167,699,704
H. PROVISIONS				
2. Provisions for taxes (acc. 1516)	57		18,222,179	3,688,259
3. Other provisions (acc. 1511+1512+1513+1514+1518)	58		11,104,066	11,259,916
TOTAL PROVISIONS (rows 56 +57 + 58)	59		29,326,245	14,948,175
J. SHARE CAPITAL AND RESERVES				
I. SHARE CAPITAL (rows 62 to 63) out of which:	61	4	13,778,392,208	12,861,183,036
- subscribed unpaid share capital (acc. 1011)	62		365,254,622	345,786,312
- subscribed paid in capital (acc. 1012)	63		13,413,137,586	12,515,396,724
IV. RESERVES (rows 68-69+70+71+72+73+74)	67		(2,531,739,371)	(2,409,049,464)
1. Legal reserves (acc. 1061)	68		192,259,194	192,259,194
2. Reserves related to impairment adjustments of financial assets (acc.1062 - <i>debit balance</i>)	69		2,869,929,030	2,877,977,023
4. Reserves for financial assets received free of charge (acc.1065)	71		25,630,909	36,332,590
7. Other reserves (acc.1068)	74		120,299,556	240,335,775
TREASURY SHARES (acc.109 - <i>debit balance</i>)	75	4	1,095,093,250	1,087,347,629
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	1,054,463,881
Profit allocation (acc. 129 - <i>debit balance</i>)	82		34,107,720	-
TOTAL SHAREHOLDERS' EQUITY (rows 61 + 64 + 65 - 66 + 67 -75+76-77+78 -79+80-81-82)	83		10,885,061,292	11,152,751,529

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

Oana Truța
Legal Representative

Prepared
Mihaela Moleavin
Financial Reporting Manager

The accompanying notes are an integral part of these financial statements
This is a translation from the official Romanian version

FONDUL PROPRIETATEA S.A.
INCOME STATEMENT
AS AT 30 JUNE 2014
FORM CODE 20

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

A	Row	Note	Half year ended	
			30 June 2013	30 June 2014
	B		1	2
A. REVENUES FROM CURRENT ACTIVITY – TOTAL (rows 02 to 11)	01		874,883,978	1,452,635,189
1. Revenues from financial assets (acc. 761)	02	6	604,777,120	649,786,661
4. Revenues from disposal of financial assets (acc.758(part)+764)	05		247,875,671	762,378,735
6. Revenues from provisions, receivables previously written off and sundry debtors (acc.754+781+786)	07		1,064,269	30,028,585
7. Revenues from foreign exchange differences (acc.765)	08		50,443	1,355,212
8. Interest income (acc.766)	09		20,735,383	8,427,503
10. Other income from current activity (acc. 705+706+708+741+758(part)+767+768 +7815)	11		381,092	658,493
B. EXPENSES FROM CURRENT ACTIVITY – TOTAL (rows 13 to 20)	12		360,250,897	383,186,842
12. Expenses from disposal of financial assets (acc. 658(part) +664)	14		318,887,295	328,217,775
13. Expenses from foreign exchange differences (acc. 665)	15		51,684	2,130,264
15. Commissions and fees (acc.622)	17		11,445,724	14,060,879
16. Expenses for bank services and similar expenses (acc.627)	18		12,281	22,061
17. Depreciation and amortization, provisions, losses from receivables and sundry debtors (acc. 654 + 681 + 686)	19		1,612,406	1,972,982
18. Other expenses from current activity (rows 21+22+23+26+27)	20		28,241,507	36,782,881
c. Salary expenses (rows 24+25), of which:	23		404,875	545,100
c1. Salaries (acc.621+641+642 +644)	24		329,052	450,000
c2. Social security contributions (acc. 645)	25		75,823	95,100
d. Third party expenses (acc.611+612+613+614+623+624+625+626+628+658(part)+ 667 +668)	26		27,599,265	35,747,543
e. Other taxes, duties and similar expenses (acc. 635)	27		237,367	490,238
C. CURRENT RESULT				
- Profit (row 01 - 12)	28		514,633,081	1,069,448,347
19. TOTAL REVENUE (rows 01+30)	34		874,883,978	1,452,635,189
20. TOTAL EXPENSES (rows 12+31)	35		360,250,897	383,186,842
G. GROSS PROFIT:				
- Profit (row 34 - 35)	36		514,633,081	1,069,448,347
21. INCOME TAX EXPENSE				
- Income tax expense (acc.691)	38	5 b)	-	14,984,466
H. RESULT FOR THE YEAR				
- Profit (row 36-38-39)	40		514,633,081	1,054,463,881

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

Oana Truța
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

FONDUL PROPRIETATEA S.A.
STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2014

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

	Half year ended	
	30 June 2013	30 June 2014
Cash flows from operating activities		
Payments to suppliers and similar payments	(29,249,198)	(38,632,094)
Payments to employees and similar payments, including related taxes and contributions	(358,409)	(490,075)
Payments related to other taxes and fees	(7,570,777)	(7,896,452)
Income tax paid	-	(3,909,312)
Net cash flows used in operating activities	(37,178,384)	(50,927,933)
Cash flows from investment activities		
Dividends collected	552,530,255	419,880,328
Interest received	22,232,639	7,701,924
Payments for the acquisition of tangible and intangible assets	(363,810)	(27,291)
Cash contributions to share capital increases of portfolio companies	(997,910)	-
Proceeds from disposal of financial assets	247,472,530	759,610,537
Other receipts related to financial assets	259,644	3,775,341
Net proceeds from /(payments for) treasury bonds & bills	(13,011,273)	(720,227,960)
Net cash flows generated from investment activities	808,122,075	470,712,879
Cash flows from financing activities		
Dividends paid, including related withholding tax	(127,853,911)	(3,945,086)
Payments for buybacks	(92,451,731)	(161,214,966)
Net cash flows used in financing activities	(220,305,642)	(165,160,052)
Net increase in cash and cash equivalents	550,638,049	254,624,894
Cash and cash equivalents as at the beginning of the period	317,885,969	237,573,615
Foreign exchange differences related to transactions in foreign currency	(3,349)	(929,811)
Cash and cash equivalents as at the end of the period	868,520,669	491,268,698

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

Oana Truța
 Legal Representative

Prepared by
 Mihaela Moleavin
 Financial Reporting Manager

FONDUL PROPRIETATEA S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT 30 JUNE 2014

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

Element of equity	Balance as at 1 January 2014	Increases		Decreases		Balance as at 30 June 2014
		Total	Of which, by transfer	Total	Of which, by transfer	
Subscribed paid in share capital	13,413,137,586	1,269,030	1,269,030	899,009,892	240,304,801	12,515,396,724
Subscribed unpaid share capital	365,254,622	-	-	19,468,310	1,269,030	345,786,312
Legal reserves – <i>Credit balance</i>	192,259,194	-	-	-	-	192,259,194
Reserves related to impairment adjustments of financial assets – <i>Debit Balance</i>	(2,869,929,030)	(798,433,639)	-	(790,385,646)	-	(2,877,977,023)
Other reserves – <i>Credit Balance</i>	120,299,556	120,036,219	120,036,219	-	-	240,335,775
Reserves from shares received free of charge – <i>Credit balance</i>	25,630,909	10,701,681	-	-	-	36,332,590
Treasury shares – <i>Debit Balance</i>	(1,095,093,250)	(169,902,201)	-	(177,647,822)	(120,268,582)	(1,087,347,629)
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>	11,318,558	648,046,679	648,046,679	-	-	659,365,237
Result for the period (profit) – <i>Credit Balance</i>	682,154,399	1,054,463,881	-	682,154,399	682,154,399	1,054,463,881
Allocation of profit – <i>Debit Balance</i>	(34,107,720)	-	-	(34,107,720)	(34,107,720)	-
Total equity	10,885,061,292	866,181,650	769,351,928	598,491,413	769,351,928	11,152,751,529

The decrease of the *Subscribed paid in share capital* includes the cancellation of the Treasury shares acquired by the Fund in 2011 (RON 240,304,801) and the decrease of nominal value of the shares from RON 1 to RON 0.95 per share (RON 658,705,091).

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

Oana Truța
 Legal Representative

Prepared by
 Mihaela Moleavin
 Financial Reporting Manager

FONDUL PROPRIETATEA S.A.
NOTES TO THE FINANCIAL STATEMENTS
AS AT 30 JUNE 2014

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

1. NON-CURRENT ASSETS

a) Intangible assets

Intangible Assets	
Gross value (acquisition cost)	
Balance as at 1 January 2014	905,224
Acquisitions	27,291
Balance as at 30 June 2014	932,515
Accumulated amortisation	
Balance as at 1 January 2014	145,111
Amortisation in the period	155,055
Balance as at 30 June 2014	300,166
Net book value as at 1 January 2014	760,113
Net book value as at 30 June 2014	632,349

As at 30 June 2014, intangible assets included the value of licences and implementation costs of the new specialised accounting and reporting software.

b) Financial assets

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

	Financial Assets	Other non-current assets	Total
Gross value (acquisition cost/ initial valuation)			
Balance as at 1 January 2014	13,367,556,872	-	13,367,556,872
Shares received as contributions in kind to share capital	1,269,030	-	1,269,030
Bonus shares received from portfolio companies – incorporation of reserves	354,380	10,347,301	10,701,681
Disposals	(333,857,630)	-	(333,857,630)
Return of share capital of portfolio companies	(3,748,755)	-	(3,748,755)
Balance as at 30 June 2014	13,031,573,897	10,347,301	13,041,921,198
Adjustments for impairment of financial assets			
Balance as at 1 January 2014	(2,876,927,396)	-	(2,876,927,396)
Adjustments for impairment during the period through reserves (acc.1062)	(798,433,638)	-	(798,433,638)
Reversal of adjustments for impairment during the period through reserves (acc.1062)	790,385,645	-	790,385,645
Reversal of adjustments for impairment during the period through income statement (acc. 7863)	1,045	-	1,045
Balance as at 30 June 2014	(2,884,974,344)	-	(2,884,974,344)
Net book value as at 1 January 2014	10,490,629,476	-	10,490,629,476
Net book value as at 30 June 2014	10,146,599,553	10,347,301	10,156,946,854

The accompanying notes are an integral part of these financial statements
This is a translation from the official Romanian version

1) NON-CURRENT ASSETS (continued)**Acquisitions and Disposals**

During the first six months of 2014, the Fund sold its entire holdings in Erste Group Bank, Raiffeisen Bank, Resib SA, Turdapan SA and part of its holding in Romgaz, Oil Terminal SA and 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 April 2014 the Fund received 99,999 shares in Hidroelectrica SA (having a nominal value of RON 999,990) and 26,904 shares in Complexul Energetic Oltenia SA (having a 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 /share) and 10,347,301 bonus shares (having a nominal value of RON 1 /share) in Banca Transilvania SA, as a result of the share capital increase of these companies through incorporation of reserves. The value of the shares received from Banca Transilvania SA is reflected in other non-current assets category until their registration is completed at the Central Depository in Fund's account.

Hidroelectrica 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 is placed back under the reorganization procedure and the former judicial administrator is 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.

2. STATEMENT OF RECEIVABLES AND PAYABLES

Receivables	30 June 2014	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Dividend receivables - net	229,915,887	229,915,887	-	-
Interest receivable	100,186	100,186	-	-
Trade receivables	271	271	-	-
Other receivables	5,122,517	5,122,517	-	-
TOTAL	235,138,861	235,138,861	-	-

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

As at 30 June 2014 *dividend receivables – net*, in amount of RON 229,915,887, included dividends from portfolio companies related to financial year 2013.

Interest receivable included interest receivables on bank deposits.

As at 30 June 2014, *other receivables* included mainly the receivables related to the sell trades under settlement at period end, amounting to RON 4,068,283 and tax recoverable from the Austrian tax authorities relating to 2012 dividends distributed in 2013 by Austrian portfolio companies, amounting to RON 1,015,571 (equivalent of EUR 231,496).

2. STATEMENT OF RECEIVABLES AND PAYABLES (continued)

Payables	30 June 2014	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Payable to shareholders related to the return of capital	601,325,852	601,325,852	-	-
Accrued expenses	17,604,549	17,604,549	-	-
Dividends payable	8,729,121	8,729,121	-	-
Other taxes and fees payables	1,913,737	1,913,737	-	-
Payable related to buybacks under settlement	8,680,662	8,680,662	-	-
Trade payables	931,087	931,087	-	-
Tax on profit	10,638,234	10,638,234	-	-
Payable to Board members	54,470	54,470	-	-
Taxes on salaries	36,380	36,380	-	-
TOTAL	649,914,092	649,914,092	-	-

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 30 June 2014, *dividends payable* included dividends payable to Fund's shareholders related to the financial year 2012 of RON 3,215,276 and dividends related to years 2010 - 2011 of RON 5,513,845.

Accrued expenses mainly included investment management and administration fees payable to the Fund Manager of RON 12,998,558 as at 30 June 2014 (1 January 2014: RON 13,471,953).

As at 30 June 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. The payment to shareholders will start in 25 July 2014 and will be made to all shareholders registered with shareholders' registry on 30 April 2014, proportionally with their participation to the Fund's paid share capital.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements for the half year ended 30 June 2014 have been prepared in accordance with the National Securities Commission (“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 (“CNVM Order 13/2011”) and with CNVM Instructions no. 5/2006, as subsequently amended, regarding semi-annual accounting reporting.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013 prepared in accordance with 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 13/2011.

The Fund did not change any accounting policies during the half year ended 30 June 2014.

4. FINANCING SOURCES

Shares

As at 30 June 2014, the share capital subscribed was RON 12,861,183,036.65 representing 13,538,087,407 shares with a nominal value of 0.95 RON per share, out of which 363,985,592 shares were unpaid.

The shareholding structure as at 30 June 2014 was the following:

No	Shareholder Type	% of subscribed share capital	% of paid-up share capital	% of voting rights
1	Foreign institutional shareholders	53.98%	55.47%	61.55%
2	Romanian institutional shareholders	8.60%	8.84%	9.81%
3	Foreign private individuals	5.45%	5.60%	6.21%
4	Romanian private individuals	19.64%	20.18%	22.40%
5	Ministry of Public Finance	2.72%	0.03%	0.03%
6	Treasury shares	9.61%	9.88%	0.00%
	Total	100.00%	100.00%	100.00%

The total number of shareholders as at 30 June 2014 was 8,037.

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 February 2014, the paid-up capital of the Fund decreased by RON 240,304,801 following the cancellation of 240,304,801 treasury shares acquired by the Fund in the first buy-back programme carried on in 2011.

In April 2014, the paid-up share capital of the Fund increased by RON 1,269,040 due to the receipt by the Fund of 26,904 shares in Complexul Energetic Oltenia SA and of 99,990 shares in Hidroelectrica following a share capital increase of these companies, recorded as contribution in kind from the Romanian State to the share capital of the Fund.

In June 2014, the paid-up share capital of the Fund 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.

Following all these changes, the paid-up capital of the Fund decreased from RON 13,413,137,586 to RON 12,515,396,724.25 (divided in 13,174,101,815 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 12,861,183,036.65 (divided in 13,538,087,407 shares with a nominal value of RON 0.95 per share).

4. FINANCING SOURCES (continued)

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 meeting 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.

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 30 June 2014, 210,664,000 treasury shares were acquired, at a total acquisition value, including transaction costs, of RON 167,570,496.

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.

5. 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, Buzeşti 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 297/2005, 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).

Fund’s investment objective is capital appreciation via investments mainly in Romanian equities or equities-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.

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

Since 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 Securities Sector of the market, under ISIN number ROFPTAACNOR5 with the market symbol “FP”.

b) Information regarding the current income tax

	30 June 2013	30 June 2014
Gross profit	514,633,081	1,069,448,347
Income from provisions and impairment adjustments - Non taxable	(1,064,269)	(30,028,585)
Income from dividends from Romania entities - Non taxable	(604,121,072)	(621,844,517)
Income from disposal of equity investments - Non taxable	-	(647,758,168)
Gain on cancellation of treasury shares – taxable equity item	-	120,036,218
Gain on decrease of nominal value of treasury shares – taxable equity item	-	57,379,239
Expenses with provisions and impairment adjustments - Non deductible	1,612,406	1,817,927
Expenses related to disposal of equity investments - Non deductible	-	141,060,565
Other non-deductible expenses	576,273	5,680,567
Taxable profit / (Fiscal loss) for the current period	(88,363,581)	95,791,593
Tax losses carried forward	(3,264,077)	(2,138,680)
Taxable profit / (Fiscal loss) taking into account tax losses carried forward from previous years	(91,627,658)	93,652,913
Current income tax (16%)	-	14,984,466
Income tax declared for the current period	-	4,346,232
Income tax receivable/(payable)	436,920	(10,638,234)

The accompanying notes are an integral part of these financial statements
This is a translation from the official Romanian version

6. DIVIDEND INCOME

Company	30 June 2013	30 June 2014
OMV Petrom SA	318,951,645	331,366,364
Romgaz SA	158,941,766	148,509,917
GDF Suez Energy Romania SA	22,800,000	33,600,000
Nuclearelectrica SA	2,326,200	27,857,878
Electrica Distributie Muntenia Nord SA	16,206,229	23,212,248
Transelectrica SA	3,997,666	22,046,532
Electrica Furnizare SA	7,778,895	19,637,608
Electrica Distributie Transilvania Sud SA	-	12,733,949
Electrica Distributie Transilvania Nord SA	-	11,666,199
CN Administratia Porturilor Maritime SA	5,355,572	10,118,830
Conpet SA	8,403,049	8,773,485
CN Administratia Canalelor Navigabile SA	856,672	175,612
CN Administratia Porturilor Dunarii Maritime SA	227,764	84,266
CN Administratia Porturilor Dunarii Fluviale SA	473,250	3,773
Transgaz SA	37,568,760	-
Complexul Energetic Oltenia SA	10,343,620	-
CN Aeroporturi Bucuresti SA	9,135,228	-
Aeroportul International Timisoara - Traian Vuia SA	672,674	-
Erste Group Bank AG	656,048	-
Oil Terminal SA	35,229	-
Alcom SA	24,392	-
Ciocirlia SA	22,393	-
IOR SA	68	-
TOTAL	604,777,120	649,786,661

7. CONTINGENT ASSETS AND LIABILITIES

As at 30 June 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:

1. 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.

This decision is irrevocable and it was 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 versions 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 and the 23 November 2012 GSM;
- 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 and 28 April 2014 GSM 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.

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 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. 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 30 June 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 19 September 2014.

Currently, World Trade Center Bucharest SA is the object of insolvency procedure, the next hearing being set for 10 September 2014.

8. SUBSEQUENT EVENTS

Disposal of the holding in Transelectrica

In July 2014, the Fund sold the entire holding in Transelectrica (9,895,212 ordinary shares) at RON 21.50 per share, following the completion of the bookbuilding process which was announced on 9 July 2014.

Partial endorsement by the FSA of the new Investment Management Agreement ("IMA")

In August, the FSA issued Endorsement no. 111/4 August 2014, whereby it endorsed with comments the new IMA no. 45/29 April 2014 concluded between the Fund and the Fund Manager, approved by Resolution no. 1 of the Fund's Ordinary General Shareholders Meeting held on 28 April 2014.

The FSA proposed the following changes to the terms of the IMA, with the argumentation that the amendments requested are based on the Government Decision no. 1514/2008 issued for the first selection process of the Fund Manager that was initiated during 2008 and based on Law no. 247/2005 for setting-up the Fund:

- Force Majeure Event clauses;
- New Appointment Date definition;
- Clause 9.6 related to the agenda of October 2015 GSM;
- Clauses 13.3 and 13.4 letter b) regarding the termination of the agreement;
- Clause 14.3 regarding AIFMD implementation;
- Clause 19 regarding the governing law and dispute resolution;
- Clause 21.2 regarding the key employees;
- Clause 22 regarding the language of the IMA;
- Elimination of Distribution fee.

According to this Endorsement, the Fund has the obligation to submit the requested amendments to the IMA for shareholders' approval.

FONDUL PROPRIETATEA S.A.

INFORMATIVE DATA

AS AT 30 JUNE 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	1,054,463,881
Units that incurred losses	02	-	-

II. Data regarding the overdue payments	No row	Total Col.2+3	Of which:	
			For the current activity	For the investment activity
A	B	1	2	3
Overdue Liabilities-total (row 05+09+15 to 19+23), of which:	04	50,446	50,446	-
Overdue Suppliers – total (row 06 to 08), of which:	05	50,446	50,446	-
- over 90 days	07	50,446	50,446	-

IV. Interest, dividends and royalties paid during the reporting period. Subsidies collected and overdue receivables	No row	Amounts
A	B	1
Gross dividends income paid to non-resident individuals, of which:	34	671,626
- taxes owed to the state budget	35	-
Gross dividends income paid to non-resident juridical persons, of which:	36	356,217
- taxes owed to the state budget	37	-
Gross dividends income paid to non-resident individuals in EU member states	38	97,354
Gross services income paid to non-residents, of which:	53	2,301,625
- taxes owed to the state budget	54	389,363
Gross services income paid to non-residents in EU member states, of which:	55	2,296,353
- taxes owed to the state budget	56	389,363

VIII. Other information	No row	30 June 2013	30 June 2014
A	B	1	2
Financial assets, gross values (row 75+ 84), of which:	74	13,526,514,408	13,031,573,897
Shares held in subsidiaries, investments in associates, other non-current investments and bonds, gross values (row 76 to 83), of which:	75	13,526,514,408	13,031,573,897
- listed shares issued by residents	76	6,609,952,465	7,708,409,138
- unlisted shares issued by residents	77	6,700,919,054	5,323,164,759
- shares issued by non-residents	82	215,642,889	-
Trade receivables, advances to suppliers and other similar accounts, gross values (account 4092 + 411 + 413 + 418), of which:	87	1,979	44
- trade receivables not collected in due time (from account 4092 + from account 411 + from account 413)	89	1,979	-
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	475,230	38,662
- 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	357
- other receivables from state budget (account 4482)	96	5	-
Other receivables (account 452 + 456 + 4582 + 461 + 471 + 473), of which:	99	106,583,098	236,177,485
- settlements related to equity, settlements with shareholders related to share capital, settlement related to joint ventures (from account 452 + 456 + 4582)	100	4,432,814	-
- other receivables from individuals and legal entities, other than receivables from public institutions, (from account 461 + from account 471 + from account 473)	101	102,150,284	236,177,485
Interest receivable (account 5187), of which	103	614,710	100,186
- 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	466,791,788	933,469,705
- treasury bonds issued by residents	110	466,791,788	933,469,705
Petty cash in RON and currency (row 118 + 119), of which:	117	829	38
- in RON (account 5311)	118	829	38
Bank accounts, in RON and currency (row 121 + 123), of which:	120	868,519,840	491,268,660
- in RON (account 5121), of which:	121	868,518,746	491,264,905
Bank accounts in RON opened with non-residents banks	122	-	-
- in currency (account 5124), of which:	123	1,094	3,755
Bank accounts in currency opened with non-residents banks	124	-	-

VIII. Other information (continued)	No row	30 June 2013	30 June 2014
A		1	2
Liabilities (row 129 + 132 + 135 + 138 + 141 + 144 + 147 + 150 + 153 + 156 + 159 + 160 + 164 + 166 + 167 + 172 + 173 + 174 + 180), of which:	128	435,216,922	649,914,092
Trade payables, advances from clients and other similar accounts, gross values (account 401 + 403 + 404 + 405 + 408 + 419), of which:	164	12,187,554	18,535,636
- 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	59,507	50,446
Liabilities to employees and similar accounts (account 421 + 423 + 424 + 426 + 427 + 4281)	166	64,274	54,470
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	21,572,487	12,588,351
- liabilities to social securities (account 431 + 437 + 4381)	168	26,719	26,005
- fiscal liabilities to state budget (account 441 + 4423 + 4428 + 444 + 446)	169	21,545,768	12,562,346
Other liabilities (account 452 + 456 + 457 + 4581 + 462 + 472 + 473 + 269 + 509),	174	401,392,607	618,735,635
- settlements from equity investments, settlements with shareholders related to share capital, settlement related to joint ventures (from account 452 + 456 + 457 + 4581)	175	397,793,660	610,054,973
- other liabilities from individuals and juridical persons, other than liabilities to public institutions, (from account 462 + from account 472 + from account 473)	176	3,598,947	8,680,662
Subscribed paid in share capital (account 1012), (row 183 to 186), of which:	182	13,413,137,586	12,515,396,724
- listed shares	183	13,413,137,586	12,515,396,724
Brevets and licences (from account 205)	187	5,139	5,139

IX. Subscribed paid in share capital	Nr. rd.	30 June 2013		30 June 2014	
		1		2	
A	B	Amount (1)	% (2)	Amount (1)	% (2)
Subscribed paid in share capital (account 1012) (row 189 + 192 + 196 to 198)	188	13,413,137,586	100.00%	12,515,396,724	100.00%
- share capital owned by public institutions, of which:	189	3,253,221	0.02%	4,309,191	0.03%
-public institution with Central subordination	190	3,253,221	0.02%	4,309,191	0.03%
- owned by companies with private capital	196	9,087,763,030	67.75%	9,014,245,178	72.03%
- owned by individuals	197	4,015,269,805	29.94%	3,227,149,274	25.79%
- owned by other entities	198	306,851,530	2.29%	269,693,081	2.15%

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

Oana Truța
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

Annex 2

STATEMENT OF ASSETS AND OBLIGATIONS AS AT 30 JUNE 2014 PREPARED IN ACCORANCE WITH CNVM REGULATION NO 4/2010 (ANNEX NO. 4)

Item	31 December 2013				30 June 2014				Differences	
	% of the net asset	% of the total asset	Currency	Lei	% of the net asset	% of the total asset	Currency	Lei	Lei	Lei
I. Total assets	100.4029%	100.0000%		15,074,232,495.90	104.4800%	100.0000%		15,505,323,551.33	431,091,055.43	
1 Securities and money market instruments, out of which:	55.4689%	55.2463%		8,327,957,037.42	53.1608%	50.8816%		7,889,339,604.79	(438,617,432.63)	
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	53.1608%	50.8816%		7,889,339,604.79	(315,723,663.68)	
1.1.1 listed shares traded in the last trading 30 days	54.0258%	53.8089%		8,111,288,173.86	51.0341%	48.8459%		7,573,722,439.70	(537,565,734.16)	
1.1.2 listed shares not traded in the last trading 30 days	0.0667%	0.0665%		10,026,949.09	0.1608%	0.1539%		23,845,503.30	13,818,554.21	
1.1.3 Government bonds	0.5578%	0.5556%		83,748,145.52	1.9659%	1.8818%		291,771,661.79	208,023,516.27	
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)	
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)	
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 Financial Supervisory Authority ("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	41.9702%	40.1704%		6,228,566,998.24	(146,534,374.48)	
- shares not admitted at trading	42.4618%	42.2914%		6,375,101,372.72	41.9702%	40.1704%		6,228,566,998.24	(146,534,374.48)	
4 Bank deposits, out of which:	1.5459%	1.5398%		232,110,012.77	3.3061%	3.1643%		490,631,501.90	258,521,489.13	
4.1 bank deposits made with credit institutions from Romania	1.5459%	1.5398%		232,110,012.77	3.3061%	3.1643%		490,631,501.90	258,521,489.13	
- in lei	1.5459%	1.5398%		232,110,012.77	3.3061%	3.1643%		490,631,501.90	258,521,489.13	
- in euro	-	-		-	-	-		-	-	
4.2 bank deposits made with credit institutions from an EU state	-	-		-	-	-		-	-	
4.3 bank deposits made with credit institutions from a 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	0.0049%	0.0047%		737,381.02	(4,815,095.93)	
- in lei	0.0114%	0.0113%		1,706,414.35	0.0049%	0.0047%		733,625.88	(972,720.08)	
- in euro	0.0256%	0.0255%	EUR	857,477.41			EUR	640.27	2,808.87	(3,842,720.08)
- in USD	-	-	USD	115.92			USD	-	-	(377.33)
- in GBP	-	-	GBP	29.05			GBP	172.99	946.27	789.95
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	4.3241%	4.1386%		641,698,043.84	511,810,668.64	
- Treasury bills with original maturities of less than 1 year	0.8652%	0.8617%		129,887,375.20	4.3241%	4.1386%		641,698,043.84	511,810,668.64	
8 Participation titles of UCITS and/or of OCIU (A.O.P.C./ O.P.C.V.M.)	-	-		-	-	-		-	-	
9 Other assets out of which:	0.0241%	0.0240%		3,624,220.84	1.7139%	1.6404%		254,350,021.54	250,725,800.70	
- net dividend receivable from Romanian companies	-	-		-	-	1.5493%		229,915,887.42	229,915,887.42	
- the value of bonus shares from Banca Transilvania following the share capital increase from the incorporation of current year profits and retained earnings	-	-		-	-	0.1248%		18,521,668.79	18,521,668.79	
- receivables related to transactions under settlement	0.0087%	0.0087%	EUR	290,806.08		0.0274%		4,068,283.49	2,764,105.46	
- dividend withholding tax to be recovered from Austrian Tax Authorities	0.0069%	0.0069%	EUR	231,495.58		0.0068%		1,015,571.11	(22,617.12)	
- tax on dividends to be recovered from the State Budget	-	-		-	-	-		357.00	357.00	
- tax on profit to be recovered from the State Budget	0.0029%	0.0029%		436,920.00	-	-		-	(436,920.00)	
- intangible assets	0.0051%	0.0050%		760,113.40	0.0042%	0.0041%		632,349.08	(127,764.32)	
- other receivables	0.0003%	0.0002%		40,939.63	0.0003%	0.0003%		38,575.79	(2,363.84)	
- prepaid expenses	0.0003%	0.0003%		43,881.55	0.0011%	0.0010%		157,328.86	113,447.31	
II. Total liabilities	0.4029%	0.4012%		60,490,414.16	4.4800%	4.2879%		664,862,264.91	604,371,850.75	
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	0.0876%	0.0838%		12,998,557.61	(473,394.99)	
2 Liabilities related to the fees payable to the depository bank	0.0013%	0.0012%		188,217.96	0.0013%	0.0013%		198,432.95	10,214.99	
3 Liabilities related to the fees payable to intermediaries	0.0135%	0.0135%		2,027,851.77	0.0297%	0.0284%		4,407,178.00	2,379,326.23	
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	0.0129%	0.0123%		1,913,736.88	650,760.25	
8 Audit fees	-	-		-	-	-		-	-	
9 Other Liabilities, out of which:	0.2900%	0.2887%		43,539,415.20	4.3485%	4.1621%		645,344,359.47	601,804,944.27	
- capital return to be distributed to shareholders	-	-		-	-	4.0519%		601,325,851.55	601,325,851.55	
- tax on profit to be paid to the State Budget	-	-		0.00	0.0717%	0.0686%		10,638,234.00	10,638,234.00	
- payable dividends	0.0749%	0.0746%		11,250,020.23	0.0588%	0.0563%		8,729,120.84	(2,520,899.39)	
- 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	0.1007%	0.0964%		14,948,174.68	(14,378,069.65)	
- payables related to buybacks under settlement	-	-		-	0.0585%	0.0560%		8,680,662.18	8,680,662.18	
- salaries and related contributions	0.0002%	0.0002%		35,825.00	0.0006%	0.0006%		90,850.00	55,025.00	
- other liabilities out of which:	0.0100%	0.0100%		1,503,495.64	0.0063%	0.0060%		931,466.22	(572,029.42)	
- in lei	0.0099%	0.0099%		1,488,640.07	0.0060%	0.0057%		881,020.11	(607,619.96)	
- in euro	0.0001%	0.0001%	EUR	3,312.50		0.0003%	EUR	11,499.00	50,446.11	35,590.54
III. Net Asset Value (I - II)	100.0000%	99.5988%		15,013,742,081.74	100.0000%	95.7121%		14,840,461,286.42	(173,280,795.32)	

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

Unitary Net Asset Value

Item	30 June 2014	31 December 2013	Differences
Net Asset Value	14,840,461,286.42	15,013,742,081.74	(173,280,795.32)
Number of outstanding shares	11,862,487,131	12,071,882,101	(209,394,970)
Unitary net asset value	1.2510	1.2436	0.0074

Note: Following the finalisation of profit tax calculation, after the public release of the net asset value report (Annex 5) as at 30 June 2014, the profit tax liability to State Budget increased with RON 9,996,804. In consequence, between the profit tax liability presented in Annex 4 (CNVM Regulation no 4/2010) and in the financial statements of Fondul Proprietatea as at 30 June 2014, and the value included in Annex 5 (CNVM Regulation no 4/2010) published on 15 July, there is a difference of RON 9,996,804. This increase in profit tax liability would determine a decrease of the net asset value presented in Annex 5 with RON 9,996,804 (from RON 14,850,458,090.42 to RON 14,840,461,286.42), and of the unitary net asset value with RON 0.0008 per share (from RON 1.2518 per share to RON 1.2510 per share).

DETAILED STATEMENT OF INVESTMENTS AS AT 30 JUNE 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*
Alro Slatina SA	ALR	30/Jun/2014	72,884,714	0.5	1.2100	88,190,503.94	10.21%	0.5688%	0.5942%	Closing price
Banca Transilvania SA	TLV	30/Jun/2014	64,723,219	1	1.7900	115,854,562.01	2.93%	0.7472%	0.7807%	Closing price
BRD-Groupe Societe Generale SA	BRD	30/Jun/2014	25,387,456	1	9.4300	239,403,710.08	3.64%	1.5440%	1.6132%	Closing price
Conpet SA	COTE	30/Jun/2014	2,571,461	3.3	49.5000	127,287,319.50	29.70%	0.8209%	0.8577%	Closing price
Nuclearelectrica SA	SNN	30/Jun/2014	27,408,381	10	8.0700	221,185,634.67	9.72%	1.4265%	1.4904%	Closing price
Oil Terminal SA	OIL	30/Jun/2014	37,517,026	0.1	0.1070	4,014,321.78	6.44%	0.0259%	0.0270%	Closing price
OMV Petrom SA	SNP	30/Jun/2014	10,758,648,186	0.1	0.4820	5,185,668,425.65	18.99%	33.4444%	34.9428%	Closing price
Primcom SA	PRIB	30/Jun/2014	1,427,188	0.1	9.5700	13,658,189.16	68.97%	0.0881%	0.0920%	Reference price - Average price
Romaero SA	RORX	30/Jun/2014	1,311,691	2.5	14.0100	18,376,790.91	20.99%	0.1185%	0.1238%	Reference price - Average price
Romgaz SA	SNG	30/Jun/2014	38,542,960	1	34.7000	1,337,440,712.00	10.00%	8.6257%	9.0121%	Closing price
Transelectrica SA	TEL	30/Jun/2014	9,895,212	10	22.5000	222,642,270.00	13.49%	1.4359%	1.5002%	Closing price
Total						7,573,722,439.70		48.8459%	51.0341%	

* = 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
Alcom SA	ALCQ	20/Feb/2014	89,249	2.5	75.0180	6,695,281.48	71.89%	0.0432%	0.0451%	Shareholders equity/share
Comercial Cluj SA	COCL	9/Oct/2013	256,116	2.5	3.8055	974,649.44	11.36%	0.0063%	0.0066%	Shareholders equity/share
Forsev S.A.	FORS	26/Nov/2009	954,376	2.5	6.8071	6,496,532.87	28.14%	0.0419%	0.0438%	Shareholders equity/share
IOR SA	IORB	4/Apr/2014	2,622,273	0.1	0.3300	865,350.09	2.81%	0.0056%	0.0058%	Fair value / share (last trading price)
Mecon SA	MECP	8/Jan/2014	60,054	11.6	3.1100	186,767.94	12.51%	0.0012%	0.0013%	Fair value / share (last trading price)
Palace SA	PACY	15/May/2014	5,832,482	0.1	0.3554	2,072,864.10	15.42%	0.0134%	0.0140%	Shareholders equity/share
Romplumb SA	ROMR	5/Oct/2001	1,595,520	2.5	-	-	33.26%	-	-	Priced at zero (company in insolvency)
Severn SA	SEVE	3/Apr/2014	1,971,566	2.5	2.5000	4,928,915.00	39.10%	0.0318%	0.0332%	Fair value / share (last trading price)
Transilvania-Com SA	TRVC	15/Aug/2007	77,234	2.5	21.0418	1,625,142.38	39.99%	0.0105%	0.0110%	Shareholders equity/share
Total						23,845,503.30		0.1539%	0.1608%	

FONDUL PROPRIETATEA S.A.

Instruments mentioned at art. 187 letter a) of the Regulation no.15/2004 out of which:

a) 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%	0.0147%	0.0154%	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%	0.0107%	0.0112%	Unlisted companies, in function	Shareholders equity/share
Cetatea SA	354,468	19/Jul/2005	118,840	1.0248	363,258.81	20.43%	0.0023%	0.0024%	Unlisted companies, in function	Shareholders equity/share
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	128.5194	3,541,223.55	20.00%	0.0228%	0.0239%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	79.9682	16,246,339.51	20.00%	0.1048%	0.1095%	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	26.2450	69,578,460.69	19.99%	0.4487%	0.4688%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
CN Aeroporturi Bucuresti SA **	2,875,443	5/Feb/2010	131,168,263	100.0381	287,653,854.38	20.00%	1.8552%	1.9383%	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	4.3807	119,978,348.76	21.55%	0.7738%	0.8085%	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%	0.0099%	0.0104%	Unlisted companies, in function	Shareholders equity/share
E.ON Gaz Distributie SA	13,557,204	19/Jul/2005	38,468,154	12.1854	165,199,953.62	12.00%	1.0654%	1.1132%	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	13.2154	130,879,031.07	13.39%	0.8441%	0.8819%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
E.ON Moldova Distributie SA	10,994,457	19/Jul/2005	131,073,011	31.4121	345,358,982.73	22.00%	2.2274%	2.3271%	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	37.9937	296,199,721.06	21.99%	1.9103%	1.9959%	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	25.3066	206,699,576.47	22.00%	1.3331%	1.3928%	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	20.5847	191,999,301.79	21.99%	1.2383%	1.2938%	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%	0.0046%	0.0048%	Unlisted companies, in function	Shareholders equity/share
ENEL Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	62.1702	573,249,281.61	24.12%	3.6971%	3.8627%	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	56.1384	379,109,744.78	24.09%	2.4450%	2.5546%	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	145.2741	473,069,998.14	12.00%	3.0510%	3.1877%	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	146.5587	65,079,976.97	12.00%	0.4197%	0.4385%	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	44.2023	74,259,864.00	12.00%	0.4789%	0.5004%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
GDF Suez Energy Romania	2,381,863	19/Jul/2005	62,522,462	169.7872	404,409,849.55	12.00%	2.6082%	2.7250%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Plafar SA	132,784	28/Jun/2007	3,160,329	36.0990	4,793,369.62	48.99%	0.0309%	0.0323%	Unlisted companies, in function	Shareholders equity/share
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	4.0875	60,789,083.36	25.00%	0.3921%	0.4096%	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%	0.0702%	0.0733%	Unlisted companies, in function	Shareholders equity/share
Societatea Nationala a Sarii SA	2,005,884	28/Jun/2007	76,347,715	53.0187	106,349,362.03	48.99%	0.6859%	0.7166%	Unlisted companies, in function	Fair value (Shareholder equity adjusted with dividends declared/share)
World Trade Hotel SA	17,912	19/Jul/2005	17,912	0.8335	14,929.65	19.90%	0.0001%	0.0001%	Unlisted companies, in function	Shareholders equity/share
Zirom SA	4,735,921	28/Jun/2007	47,146,452	9.1775	43,463,914.98	100.00%	0.2803%	0.2929%	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	64.4388	88,049,949.59	22.00%	0.5679%	0.5933%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
BAT Service SA	194,022	19/Jul/2005	656,686	0.0000	0.00	33.00%	-	-	Dissolution	Priced at zero
Carbid Fox SA	10,191,630	19/Jul/2005	927,357	0.0000	0.00	7.96%	-	-	Bankruptcy	Priced at zero
FECNE SA	778,442	19/Jul/2005	0	0.0000	0.00	12.12%	-	-	Bankruptcy	Priced at zero
Gerovital Cosmetics SA	1,350,988	19/Jul/2005	340,996	0.0000	0.00	9.76%	-	-	Dissolution	Priced at zero
Hidroelectrica SA	89,361,777	19/Jul/2005	3,107,503,416	23.5577	2,105,157,934.03	19.94%	13.5770%	14.1853%	Judicial reorganisation	Fair value / share (Value as per independent valuator's report)
Petrolul - Lukoil SA	2,152,291	19/Jul/2005	2,787,316	0.0000	0.00	1.78%	-	-	Unlisted companies, in function	Priced at zero (negative equity)
Simtex SA	132,859	28/Jun/2007	3,059,858	0.0000	0.00	30.00%	-	-	Judicial reorganisation	Priced at zero
World Trade Center Bucuresti SA	198,860	19/Jul/2005	42,459	0.0000	0.00	19.90%	-	-	Insolvency	Priced at zero
Total			5,308,779.724		6,228,566,998.24		40.1704%	41.9702%		

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.

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.

FONDUL PROPRIETATEA S.A.

Bonds or other debt instruments issued or guaranteed by the state or central public administration authorities

Treasury 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
RO1414CTN068	9,130	24/Apr/2014	5/Nov/2014	44,997,844.10	3,414.43	218,523.44	45,216,367.54	0.2916%	0.3047%	BRD Groupe Societe Generale	Acquisition price cumulated with the related interest since the acquisition date
RO1414CTN068	10,000	6/Jun/2014	5/Nov/2014	49,529,470.03	3,095.59	77,389.80	49,606,859.83	0.3200%	0.3343%	Banca Comerciala Romana	
RO1414CTN068	10,000	23/Jun/2014	5/Nov/2014	49,683,269.16	2,346.15	18,769.24	49,702,038.40	0.3206%	0.3349%	Raiffeisen Bank	
RO1414CTN068	10,000	23/Jun/2014	5/Nov/2014	49,627,791.56	2,757.10	22,056.80	49,649,848.36	0.3202%	0.3346%	ING Bank	
RO1414CTN068	8,355	23/Jun/2014	5/Nov/2014	41,489,300.07	2,132.09	14,924.62	41,504,224.69	0.2677%	0.2797%	CITI Bank	
RO1414CTN068	10,000	25/Jun/2014	5/Nov/2014	49,666,050.99	2,510.89	15,065.37	49,681,116.36	0.3204%	0.3348%	Raiffeisen Bank	
RO1314CTN0G2	10,200	30/Apr/2014	17/Dec/2014	50,099,872.44	3,896.66	241,592.68	50,341,465.12	0.3247%	0.3392%	Raiffeisen Bank	
RO1314CTN0G2	10,000	6/Jun/2014	17/Dec/2014	49,387,865.00	3,155.34	78,883.38	49,466,748.38	0.3190%	0.3333%	Banca Comerciala Romana	
RO1314CTN0G2	10,000	23/Jun/2014	17/Dec/2014	49,561,382.00	2,478.07	19,824.54	49,581,206.54	0.3198%	0.3341%	Banca Comerciala Romana	
RO1314CTN0B3	3,500	12/Mar/2014	6/Aug/2014	34,611,343.46	2,643.92	293,475.35	34,904,818.81	0.2251%	0.2352%	ING Bank	
RO1314CTN0C1	1,800	12/Mar/2014	17/Sep/2014	17,740,151.10	1,374.86	152,609.67	17,892,760.77	0.1154%	0.1206%	Banca Comerciala Romana	
RO1314CTN0C1	2,370	12/Mar/2014	17/Sep/2014	23,350,616.50	1,848.59	205,193.48	23,555,809.98	0.1519%	0.1587%	ING Bank	
RO1414CTN019	10,000	6/Jun/2014	17/Dec/2014	49,894,666.81	2,771.93	69,298.15	49,963,964.96	0.3222%	0.3367%	Raiffeisen Bank	
RO1414CTN019	8,200	24/Jun/2014	14/Jul/2014	40,977,234.87	1,138.26	7,967.80	40,985,202.67	0.2643%	0.2762%	Raiffeisen Bank	
RO1414CTN092	8,000	25/Jun/2014	22/Dec/2014	39,633,391.13	2,036.72	12,220.30	39,645,611.43	0.2557%	0.2671%	Banca Comerciala Romana	
Total							641,698,043.84	4.1386%	4.3241%		

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 Public Finance	RO1214DBN068	16-apr.-2014	5,500	3/Apr/2014	28/Jul/2013	28/Jul/2014	57,758,596	8,815.07	2,979,493.15	-	10,084.82	58,446,003.15	0.3769%	0.3938%	Closing price (Gross price)
Ministry of Public Finance	RO1214DBN068	16-apr.-2014	5,000	30/Apr/2014	28/Jul/2013	28/Jul/2014	52,584,576	8,013.70	2,708,630.14	-	10,084.82	53,132,730.14	0.3427%	0.3580%	
Ministry of Public Finance	RO1114DBN011	30-apr.-2014	3,000	6/Jun/2014	25/Oct/2013	25/Oct/2014	30,442,714	5,136.99	1,279,109.59	-	10,161.98	31,765,049.59	0.2049%	0.2140%	
Ministry of Public Finance	RO1214DBN068	16-apr.-2014	5,000	25/Jun/2014	28/Jul/2013	28/Jul/2014	52,839,010	8,013.70	2,708,630.14	-	10,084.82	53,132,730.14	0.3427%	0.3580%	
Ministry of Public Finance	RO1114DBN011	30-apr.-2014	5,000	25/Jun/2014	25/Oct/2013	25/Oct/2014	52,801,177	8,561.64	2,131,849.32	-	10,161.98	52,941,749.32	0.3414%	0.3567%	
Ministry of Public Finance	RO1114DBN011	30-apr.-2014	4,000	3/Apr/2014	25/Oct/2013	25/Oct/2014	41,853,563	6,849.32	1,705,479.45	-	10,161.98	42,353,399.45	0.2732%	0.2854%	
Total												291,771,661.79	1.8818%	1.9659%	

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
BRD Groupe Societe Generale	20/Jun/2014	4/Jul/2014	RON 48,900,000.00	RON 1,358.33	RON 14,941.67	RON 48,914,941.67	0.3155%	0.3296%	Term deposit value cumulated with the related interest
ING Bank	30/Jun/2014	23/Jul/2014	RON 38,700,000.00	RON 1,505.00	RON 1,505.00	RON 38,701,505.00	0.2496%	0.2608%	
ING Bank	18/Jun/2014	2/Jul/2014	RON 39,700,000.00	RON 1,102.78	RON 14,336.11	RON 39,714,336.11	0.2561%	0.2676%	
Raiffeisen Bank	23/Jun/2014	7/Jul/2014	RON 70,000,000.00	RON 1,944.44	RON 15,555.56	RON 70,015,555.56	0.4516%	0.4718%	
Banca Comerciala Romana	26/Jun/2014	24/Jul/2014	RON 42,700,000.00	RON 1,482.64	RON 7,413.19	RON 42,707,413.19	0.2754%	0.2878%	
BRD Groupe Societe Generale	25/Jun/2014	16/Jul/2014	RON 50,000,000.00	RON 2,222.22	RON 13,333.33	RON 50,013,333.33	0.3226%	0.3370%	
CITI Bank	27/Jun/2014	18/Jul/2014	RON 46,500,000.00	RON 1,356.25	RON 5,425.00	RON 46,505,425.00	0.2999%	0.3134%	
Raiffeisen Bank	27/Jun/2014	21/Jul/2014	RON 50,000,000.00	RON 1,388.89	RON 5,555.56	RON 50,005,555.56	0.3225%	0.3370%	
Banca Comerciala Romana	25/Jun/2014	23/Jul/2014	RON 34,800,000.00	RON 1,160.00	RON 6,960.00	RON 34,806,960.00	0.2245%	0.2345%	
Unicredit Tiriac Bank	25/Jun/2014	9/Jul/2014	RON 50,000,000.00	RON 2,361.11	RON 14,166.67	RON 50,014,166.67	0.3226%	0.3370%	
BRD Groupe Societe Generale	30/Jun/2014	1/Jul/2014	RON 8,066,615.48	RON 481.76	RON 481.76	RON 8,067,097.24	0.0520%	0.0544%	
BRD Groupe Societe Generale	30/Jun/2014	1/Jul/2014	RON 11,164,700.85	RON 511.72	RON 511.72	RON 11,165,212.57	0.0720%	0.0752%	
TOTAL						490,631,501.90	3.1643%	3.3061%	

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/ 30 Jun 2014
Net Asset	14,979,202,005.64	15,013,742,081.74	14,840,461,286.42
NAV/share	1.1371	1.2436	1.2510

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

BRD Groupe Societe Generale

 Oana Truta
Legal representative

 Marius Nechifor
Compliance Officer

 Victor Strâmbei
Manager Depository Department

 Claudia Ionescu
Director

Annex 3

FONDUL PROPRIETATEA S.A.

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014

Prepared in accordance with IAS 34 Interim Financial Reporting

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014
(all amounts are in RON unless otherwise stated)

	<i>Note</i>	6 months ended 30 June 2014	6 months ended 30 June 2013 (restated)
Gross dividend income	5	655,108,974	608,717,630
Net gain from equity instruments at fair value through profit or loss	7	130,838,604	60,245,988
Interest income		8,427,503	20,735,383
Reversal of impairment losses on receivables, net		13,831,544	168,967
Other income, net		-	252,549
Total revenue		808,206,625	690,120,517
Operating expenses	6	(49,443,241)	(39,570,968)
Net foreign exchange losses		(775,053)	(1,240)
Other expenses, net		(1,074,991)	-
Total expenses		(51,293,285)	(39,572,208)
Profit before income tax		756,913,340	650,548,309
Income tax expense	8	(20,648,968)	(10,803,557)
Profit of the period		736,264,372	639,744,752
Basic and diluted earnings per share		0.0541	0.0464

The financial statements were authorised for issue on 13 August 2014 by:

Oana Truța
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 65 to 87 are an integral part of these financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014
(all amounts are in RON unless otherwise stated)

	<i>Note</i>	30 June 2014	31 December 2013 (restated)
Assets			
Cash and current accounts		737,382	5,552,477
Deposits with banks		490,631,502	232,110,013
Treasury bills		641,698,044	129,887,375
Government bonds		291,771,662	83,748,146
Equity investments at fair value through profit or loss	<i>10</i>	13,838,827,711	14,478,487,422
Dividends receivable	<i>9</i>	229,915,887	-
Deferred tax assets	<i>11</i>	-	342,189
Other assets		5,912,466	3,624,221
Total assets		15,499,494,654	14,933,751,843
Liabilities			
Payable to shareholders related to the return of capital	<i>13</i>	601,325,852	-
Other liabilities	<i>12</i>	59,848,155	42,268,236
Total liabilities		661,174,007	42,268,236
Equity			
Share capital	<i>13</i>	12,861,183,037	13,778,392,208
Other reserves	<i>13</i>	432,594,969	312,558,751
Treasury shares	<i>13</i>	(1,087,347,629)	(1,095,093,250)
Retained earnings		2,631,890,270	1,895,625,898
Total equity		14,838,320,647	14,891,483,607
Total liabilities and equity		15,499,494,654	14,933,751,843

The notes on pages 65 to 87 are an integral part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 30 JUNE 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 1 January 2013, as previously reported	13,778,392,208	2,494,319,443	278,451,031	(120,268,583)	(4,041,837,328)	12,389,056,771
Impact of changes in accounting policies	-	(2,494,319,443)	-	-	4,986,279,525	2,491,960,082
Restated balance at 1 January 2013	13,778,392,208	-	278,451,031	(120,268,583)	944,442,197	14,881,016,853
Comprehensive income for the period						
Profit for the period	-	-	-	-	639,744,752	639,744,752
Transactions with owners, recorded directly in equity						
Acquisition of treasury shares	-	-	-	(96,050,677)	-	(96,050,677)
Dividends declared	-	-	-	-	(536,437,206)	(536,437,206)
Total transactions with owners recorded directly in equity	-	-	-	(96,050,677)	(536,437,206)	(632,487,883)
Balance at 30 June 2013	13,778,392,208	-	278,451,031	(216,319,260)	1,047,749,743	14,888,273,722

The notes on pages 65 to 87 are an integral part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 30 JUNE 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 1 January 2014, as previously reported	13,778,392,208	7,174,887,404	312,558,751	(1,095,093,250)	(5,449,718,845)	14,721,026,268
Impact of changes in accounting policies	-	(7,174,887,404)	-	-	7,345,344,743	170,457,339
Restated balance at 1 January 2014	13,778,392,208	-	312,558,751	(1,095,093,250)	1,895,625,898	14,891,483,607
Comprehensive income for the period						
Profit for the period	-	-	-	-	736,264,372	736,264,372
Transactions with owners, recorded directly in equity						
Decrease of the nominal value of the shares	(676,904,370)	-	-	57,379,239	-	(619,525,131)
Acquisition of treasury shares	-	-	-	(169,902,201)	-	(169,902,201)
Cancellation of treasury shares	(240,304,801)	-	120,036,218	120,268,583	-	-
Total transactions with owners recorded directly in equity	(917,209,171)	-	120,036,218	7,745,621	-	(789,427,332)
Balance at 30 June 2014	12,861,183,037	-	432,594,969	(1,087,347,629)	2,631,890,270	14,838,320,647

The notes on pages 65 to 87 are an integral part of these financial statements.

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014
(all amounts are in RON unless otherwise stated)**

	6 months ended 30 June 2014	6 months ended 30 June 2013
Cash flows from operating activities		
Proceeds from sale of equity instruments	759,610,537	247,472,530
Acquisitions of treasury bills and bonds	(1,073,888,818)	(753,968,232)
Disposals and maturity of treasury bills and bonds	353,660,859	740,956,959
Dividends received (net of withholding tax)	419,880,328	552,530,255
Interest received	7,701,924	22,232,638
Suppliers and other taxes and fees paid	(46,555,837)	(37,183,785)
Income tax paid	(3,909,312)	-
Remunerations and related taxes paid	(490,075)	(358,409)
Realised foreign exchange loss on cash and cash equivalents	(929,812)	(3,350)
Subscriptions to share capital increase of portfolio companies	-	(997,910)
Other receipts	3,775,341	259,644
Net cash flows from operating activities	418,855,135	770,940,340
Cash flows from financing activities		
Acquisition of treasury shares	(161,214,966)	(92,451,731)
Dividends paid (including related taxes)	(3,945,086)	(127,853,911)
Net cash flows used in financing activities	(165,160,052)	(220,305,642)
Net decrease in cash and cash equivalents	253,695,083	550,634,698
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	491,268,698	868,520,669
	30 June 2014	30 June 2013
Cash	737,382	11,278,026
Bank deposits with original maturities of less than three months	490,531,316	857,242,643
	491,268,698	868,520,669

The notes on pages 65 to 87 are an integral part of these financial statements.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014
(all amounts are in RON unless otherwise stated)**

1. General information

Fondul Proprietatea S.A. (referred to as “Fondul Proprietatea” or “the Fund”) is an undertaking for collective investments, in the form of a closed end investment company, established in accordance with Law no. 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, 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.

Since 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 Securities Sector of the market, under ISIN number ROFPTAACNOR5, with the market symbol “FP”.

These condensed financial statements for the six month period ended 30 June 2014 are not audited.

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements for the six month period ended 30 June 2014 have been prepared in accordance with *IAS 34 Interim financial reporting*. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards as adopted by European Union (“IFRS”).

The Fund has prepared these financial statements in order to provide users of the Fund’s financial reports with supplementary financial information on the Fund’s financial position.

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 consolidated its subsidiaries starting 1 January 2014. In consequence, the Fund will not prepare consolidated financial statements starting 1 January 2014, the separate financial statements being Fund’s only financial statements.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014
(all amounts are in RON unless otherwise stated)**

2. Basis of preparation (continued)

(b) Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis except for the equity investments, the treasury bills and short-term government bonds, which are measured at fair value.

(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.

(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 effect on the amounts recognised in the financial statements is included in the following notes:

- Note 6 – Operating expenses;
- Note 10 – Equity investments;
- Note 11 – Deferred tax assets;
- Note 12 – Other liabilities;
- Note 14 – Contingencies.

3. Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Fund's financial statements as at and for the year ended 31 December 2013.

The Fund reclassified certain items in the Statement of Comprehensive Income and Statement of Cash Flows for the six-month period ended 30 June 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 *Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)* starting 1 January 2014, when these Amendments became effective.

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 its investments in subsidiaries and associates, as well as for all the other equity investments, classifying and measuring them at fair value through profit or loss.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014
(all amounts are in RON unless otherwise stated)**

3. Significant accounting policies (continued)

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 (30 June 2013 or 31 December 2013) and equity at the beginning of the immediately preceding period (1 January 2013) for the difference between the previous carrying value of the equity investments and the fair value of the equity investments.

The cumulative amount of fair value adjustments previously recognised in other comprehensive income was transferred to retained earnings at the beginning of the immediately preceding period (1 January 2013).

The below tables present, in respect of the period immediately preceding the date of initial application, the resulting changes for each financial statement line affected.

Statement of financial position

	31 December 2013	Adjustments	31 December 2013
	As previously reported (in separate financial statements)		As restated
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 investments	14,308,030,083	170,457,339	14,478,487,422
Deferred tax assets	342,189	-	342,189
Other assets	3,624,221	-	3,624,221
Total assets	14,763,294,504	170,457,339	14,933,751,843
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	7,174,887,404	(7,174,887,404)	-
Other reserves	312,558,751	-	312,558,751
Treasury shares	(1,095,093,250)	-	(1,095,093,250)
Retained earnings	(5,449,718,845)	7,345,344,743	1,895,625,898
Total equity	14,721,026,268	170,457,339	14,891,483,607
Total liabilities and equity	14,763,294,504	170,457,339	14,933,751,843

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014
(all amounts are in RON unless otherwise stated)**

3. Significant accounting policies (continued)

Statement of comprehensive income

	6 months ended 30 June 2013 As previously reported (in separate financial statements)	Adjustments	6 months ended 30 June 2013 As restated
Gross dividend income	608,717,630	-	608,717,630
Net gain from equity instruments at fair value through profit or loss	-	60,245,988	60,245,988
Interest income	20,735,383	-	20,735,383
Reversal of impairment losses on receivables in respect of equity contributions	357,420	-	357,420
Gain on disposal of equity investments	131,864,230	(131,864,230)	-
Impairment losses on other assets	(188,453)	-	(188,453)
Net foreign exchange losses	(1,240)	-	(1,240)
Other operating income	381,092	-	381,092
Net operating income	761,866,062	(71,618,242)	690,247,820
Personnel expenses	(404,875)	-	(404,875)
Other operating expenses	(39,294,636)	-	(39,294,636)
Operating expenses	(39,699,511)	-	(39,699,511)
Profit before income tax	722,166,551	(71,618,242)	650,548,309
Income tax expense	(47,268,283)	36,464,726	(10,803,557)
Profit for the period	674,898,268	(35,153,516)	639,744,752
Other comprehensive income			
Net change in fair value of available-for-sale equity investments	(236,631,711)	236,631,711	-
Deferred tax on other comprehensive income	37,861,074	(37,861,074)	-
Decrease in fair value reserve following the disposal of available-for-sale equity investments	(131,280,494)	131,280,494	-
Total other comprehensive income	(330,051,131)	330,051,131	-
Total comprehensive income for the period	344,847,137	294,897,615	639,744,752
Basic and diluted earnings per share	0.0490		0.0464

The nature and the effect of the changes are explained in this note.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014
(all amounts are in RON unless otherwise stated)**

3. Significant accounting policies (continued)

(a) Subsidiaries and associates

The *Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)* 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 (they were considered immaterial), investments in subsidiaries of the Fund were accounted for in accordance with *IAS 39 Financial Instruments: Recognition and Measurement*, as available-for-sale financial assets, in both separate and consolidated financial statements, with changes in fair value recorded in other comprehensive income.

Before adoption of the Amendments, the Fund accounting 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 other comprehensive income.

(b) Financial assets and liabilities: 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 financial assets - equity instruments that are not traded in an active market - are determined either by independent valuers, using valuation techniques (for the main part of the portfolio) or are considered to be equivalent 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 monthly (for the remaining part of the portfolio). The latter are estimated as follows:

- 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 valuator;
- fair values internally assessed using assumptions that are based on market conditions existing at each reporting date.

The Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014
(all amounts are in RON unless otherwise stated)**

3. Significant accounting policies (continued)

(c) Equity investments at fair value through profit or loss

As a result of the application of the *Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)* starting 1 January 2014, the Fund changed its accounting policies for its investments in subsidiaries and associates, as well as for all the other equity investments, classifying and 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 and equity at the beginning of the immediately preceding period (1 January 2013) for the difference between the previous carrying value of the equity investments and the fair value of the equity investments.

The Fund chose this classification for equity investments as a result of the application of the Amendments. This does not contravene to the previous classification of these equity investments under IAS 39.

Before application of the Amendments, all the other equity investments were also classified and accounted for as available-for-sale financial assets, with changes in fair value, where applicable, recorded in other comprehensive income.

Equity investments 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.

(d) Available-for-sale financial assets

The Fund's financial assets classified as available-for-sale are the investments in treasury bills and government bonds. All equity investments 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 to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)*, in both current and restated periods.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
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(all amounts are in RON unless otherwise stated)

4. Financial assets and financial liabilities

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of the Fund's financial assets and financial liabilities:

	Loans and receivables	Held to maturity	Available-for- sale	At fair value through profit or loss	Other amortised cost	Total carrying amount	Fair value
30 June 2014							
Cash and current accounts	737,382	-	-	-	-	737,382	737,382
Deposits with banks	490,631,502	-	-	-	-	490,631,502	490,631,502
Treasury bills	-	-	641,698,044	-	-	641,698,044	641,698,044
Government bonds	-	-	291,771,662	-	-	291,771,662	291,771,662
Equity investments	-	-	-	13,838,827,711	-	13,838,827,711	13,838,827,711
Dividends receivable	229,915,887	-	-	-	-	229,915,887	229,915,887
Other receivables	5,912,466	-	-	-	-	5,912,466	5,912,466
Payable to shareholders related to the return of capital	-	-	-	-	(601,325,852)	(601,325,852)	(601,325,852)
Other liabilities	-	-	-	-	(59,848,155)	(59,848,155)	(59,848,155)
	727,197,237	-	933,469,706	13,838,827,711	(661,174,007)	14,838,320,647	14,838,320,647

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014
(all amounts are in RON unless otherwise stated)**

4. Financial assets and financial liabilities (continued)

	Loans and receivables	Held to maturity	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	-	-	-	14,478,487,422	-	14,478,487,422	14,478,487,422
Other receivables	3,624,221	-	-	-	-	3,624,221	3,624,221
Other liabilities	-	-	-	-	(42,268,236)	(42,268,236)	(42,268,236)
	241,286,711	-	213,635,521	14,478,487,422	(42,268,236)	14,891,141,418	14,891,141,418

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014
(all amounts are in RON unless otherwise stated)**

5. Gross dividend income

	6 months ended 30 June 2014	6 months ended 30 June 2013
OMV Petrom SA	331,366,364	318,951,645
Romgaz SA	148,509,917	158,941,766
GDF Suez Energy Romania SA	33,599,997	22,800,000
Nuclearelectrica SA	33,164,141	2,769,286
Transelectrica SA	22,046,532	3,997,666
Electrica Furnizare SA	19,637,608	9,260,589
Electrica Distributie Muntenia Nord SA	23,212,248	16,206,229
Electrica Distributie Transilvania Sud SA	12,733,949	-
Electrica Distributie Transilvania Nord SA	11,666,199	-
CN Administratia Porturilor Maritime SA	10,118,830	5,355,572
Conpet SA	8,773,485	8,403,049
CN Administratia Canalelor Navigabile SA	175,612	856,672
Transgaz SA	-	37,568,760
Complexul Energetic Oltenia SA	-	12,313,834
CN Aeroporturi Bucuresti SA	-	9,135,228
Aeroportul International Timisoara - Traian Vuia SA	-	672,674
Others	104,092	1,484,660
	655,108,974	608,717,630

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% for at least two years prior to the dividend distribution, no withholding tax was due.

6. Operating expenses

	6 months ended 30 June 2014	6 months ended 30 June 2013
Investment management and administration fees	26,216,262	20,486,420
Financial Supervisory Authority monthly fees	7,399,770	7,571,459
Depositary fee	921,935	910,838
Intermediaries fees related to disposal of portfolio holdings	3,854,864	1,983,459
Other fees related to disposal of portfolio holdings	1,227,278	579,670
Board of Nominees remuneration and related taxes	545,100	404,875
Third party services	8,050,447	6,974,490
Other operating expenses	1,227,585	659,757
	49,443,241	39,570,968

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
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(all amounts are in RON unless otherwise stated)**

7. Net gain from equity investments at fair value through profit or loss

	6 months ended 30 June 2014	6 months ended 30 June 2013
Realised net gain / (loss) from equity instruments	(21,887,236)	(24,303,368)
Unrealised net gain / (loss) from equity instruments	152,725,840	84,549,356
Total	130,838,604	60,245,988

Realised net gain / (loss) from equity instruments was calculated as the difference between the proceeds from the disposal of equity investments 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 instruments by reference to the historical cost, this would be RON 434,160,960 (six month period ended 30 June 2013: a net loss of RON 71,011,624).

8. Income tax

	6 months ended 30 June 2014	6 months ended 30 June 2013
Current tax expense		
Current tax (16%)	(14,984,466)	-
Dividend withholding tax	(5,322,313)	(3,940,512)
	(20,306,779)	(3,940,512)
Deferred tax related to:		
Equity investments	-	(21,001,218)
Fiscal loss carried forward/ (used)	(342,189)	14,138,173
	(342,189)	(6,863,045)
Income tax expense	(20,648,968)	(10,803,557)

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
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(all amounts are in RON unless otherwise stated)**

8. Income tax (continued)

The effective tax rate used to calculate the deferred tax position of the Fund was 16% (standard tax rate).

	6 months ended 30 June 2014	6 months ended 30 June 2013
Reconciliation of effective tax rate		
Profit for the period	736,264,372	639,744,752
Income tax expense	(20,648,968)	(10,803,557)
Profit excluding income tax	756,913,340	650,548,309
Income tax using the standard tax rate (16%)		
	(121,106,134)	(104,087,729)
Effect of:		
Lower tax rate on dividend income	95,024,380	93,377,745
Gain on cancellation of treasury shares (taxable equity item)	(19,205,795)	-
Decrease of the nominal value of the treasury shares (taxable equity item)	(9,180,678)	-
Non-taxable income	105,855,562	57,187
Non-deductible expenses	(23,504,559)	(116,946)
Impact of non-recognition of deferred tax on change in fair value of equity investments	(48,531,744)	-
Austrian dividend withholding tax non deductible from fiscal point of view	-	(33,814)
Income tax expense	(20,648,968)	(10,803,557)

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% and has been held for an uninterrupted period of 1 year. As a consequence, the Fund should only calculate deferred tax in so far as it relates to equity investments where the holdings are lower than 10%, where they have been held for under 1 year or where they are resident in a country with which Romania does not have a tax treaty. As at 30 June 2014 and 31 December 2013, the Fund did not recognise deferred tax in respect of equity investments which did not meet the criteria described above. The Fund has assessed the resulting deferred tax asset, but does not consider the likelihood of sufficient future taxable profits to offset this credit to be probable. As such the recoverability of this asset would be limited and as a result, no asset has been recognised.

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(all amounts are in RON unless otherwise stated)**

9. Dividends receivables

	30 June 2014	31 December 2013
Dividends receivable		
Romgaz SA	148,509,917	-
Electrica Furnizare SA	19,637,608	-
Electrica Distributie Muntenia Nord SA	18,212,248	-
Electrica Distributie Transilvania Sud SA	12,733,949	-
Electrica Distributie Transilvania Nord SA	11,666,199	-
CN Administratia Porturilor Maritime SA	10,118,830	-
Conpet SA	8,773,485	-
Other dividends receivable	1,083,066	828,968
	230,735,303	828,968
Impairment loss allowance	(819,415)	(828,968)
	229,915,887	-

10. Equity investments

As a result of the application of the *Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)* starting 1 January 2014, the Fund changed its accounting policies and classified all its equity investments 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 (31 December 2013 or 30 June 2013) and equity at the beginning of the immediately preceding period (1 January 2013) for the difference between the previous carrying value of the equity investments and the fair value of the equity investments.

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(all amounts are in RON unless otherwise stated)**

10. Equity investments (continued)

The movement in the carrying amounts of equity investments is as follows:

	Total equity investments
1 January 2013 - as previously reported	11,269,744,338
Impact of changes in accounting policies	2,970,433,410
Restated balance at 1 January 2013	14,240,177,748
Shares contributions in kind by State	357,420
Cash contributions to portfolio companies share capital increases	997,910
Disposals	(272,179,039)
Net gain from measurement at fair value through profit or loss	84,549,358
30 June 2013	14,053,903,397
1 January 2014 - as previously reported	14,308,030,083
Impact of changes in accounting policies	170,457,339
Restated balance at 1 January 2014	14,478,487,422
Shares contributions in kind by State	1,269,030
Disposals	(789,905,828)
Return of share capital of portfolio companies	(3,748,753)
Net gain from measurement at fair value through profit or loss	152,725,840
30 June 2014	13,838,827,711

During the first six months of 2014, the Fund sold its entire holdings in Erste Group Bank, Raiffeisen Bank, Resib SA, Turdapan SA and part of its holding in Romgaz SA, Oil Terminal SA and 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 April 2014 the Fund received 99,999 shares in Hidroelectrica SA (having a nominal value of RON 999,990) and 26,904 shares in Complexul Energetic Oltenia SA (having a nominal value of RON 269,040), following the share capital increase of these companies 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 10,347,301 bonus shares in Banca Transilvania SA, as a result of the share capital increase of this company through incorporation of reserves.

Hidroelectrica Insolvency

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

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(all amounts are in RON unless otherwise stated)**

10. Equity investments (continued)

- 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 is placed back under the reorganization procedure and the former judicial administrator is 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 and table of creditors.

The Fund's equity portfolio detail was the following:

	30 June 2014	31 December 2013
Equity investments at fair value through profit and loss		
OMV Petrom S.A.	5,185,668,426	5,054,412,918
Hidroelectrica S.A.	2,105,161,000	2,105,161,000
Romgaz S.A.	1,337,440,712	1,975,701,972
Enel Distributie Banat S.A.	573,250,000	573,250,000
Enel Distributie Muntenia S.A.	473,070,000	473,070,000
GDF Suez Energy Romania	404,410,000	404,410,000
Enel Distributie Dobrogea S.A.	379,110,000	379,110,000
E.ON Moldova Distributie S.A.	345,359,000	345,359,000
Electrica Distributie Muntenia Nord	296,200,000	296,200,000
CN Aeroporturi Bucuresti S.A.	287,654,000	287,654,000
Nuclearelectrica S.A.	221,185,635	306,699,783
BRD - Groupe Societe Generale S.A.	239,403,710	228,487,104
Electrica Distributie Transilvania No	206,700,000	206,700,000
Electrica Distributie Transilvania Su	192,000,000	192,000,000
Transelectrica S.A.	222,642,270	156,245,397
E.ON Gaz Distributie S.A.	165,200,000	165,200,000
E.ON Energie Romania S.A.	130,880,000	65,130,526
Conpet S.A.	127,287,320	115,715,745
Complexul Energetic Oltenia S.A.	119,981,000	321,644,000
Banca Transilvania S.A.	134,376,231	106,793,311
Societatea Nationala a Sarii S.A.	106,349,362	106,349,362
Alro Slatina S.A.	88,190,504	105,464,181
Administratia Porturilor Maritime S.A.	69,578,461	66,404,813
Posta Romana S.A.	60,790,000	60,790,000
Enel Energie S.A.	74,260,000	54,293,064
Enel Energie Muntenia S.A.	65,080,000	45,871,977
Zirom S.A.	43,464,000	43,464,000
Erste Group Bank AG	-	45,100,460
Raiffeisen Bank International AG	-	77,793,309
Other	184,136,082	114,011,498
Total	13,838,827,711	14,478,487,422

None of the equity investments is pledged as collateral for liabilities.

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(all amounts are in RON unless otherwise stated)**

10. 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 30 June 2014:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value through profit and loss	7,560,209,127	-	6,278,618,584	13,838,827,711
Treasury bills	641,698,044	-	-	641,698,044
Government bonds	291,771,662	-	-	291,771,662
	8,493,678,833	-	6,278,618,584	14,772,297,417

At 31 December 2013:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value through profit and loss	8,178,000,261	-	6,300,487,161	14,478,487,422
Treasury bills	129,887,375	-	-	129,887,375
Government bonds	83,748,146	-	-	83,748,146
	8,391,635,782	-	6,300,487,161	14,692,122,943

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 measurement is a Level 3 measurement. 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.

The fair values of equity instruments classified under Level 3 are determined either by independent valuers, using valuation techniques (for the main part of the portfolio) or are considered to be equivalent 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 monthly (for the remaining part of the portfolio).

There was no information known or available to the Fund's management which may have significant impact on the fair values of the equity investments as at 30 June 2014, as they are presented in these condensed interim financial statements.

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10. 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 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 potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets of the Fund may be not recovered at their carrying amount in the ordinary course of business, and a corresponding impact on the Fund's profitability cannot be estimated reliably as of the date of these financial statements.

For the equity investments classified under Level 1, the Fund had enough available information with respect to active markets, with sufficient trading volume for accurate price discovery.

11. Deferred tax assets

	30 June 2014	31 December 2013
<i>Temporary differences deductible (taxable)</i>		
Fiscal loss carried forward	-	2,138,680
Deferred tax asset at 16%	-	342,189

The effective tax rate used to calculate the deferred tax position of the Fund as at 30 June 2014 and as at 31 December 2013 was 16% (standard tax rate).

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% and has been held for an uninterrupted period of 1 year. As a consequence, the Fund should only calculate deferred tax in so far as it relates to equity investments where the holdings are lower than 10%, where they have been held for under 1 year or where they are resident in a country with which Romania does not have a tax treaty. As at 30 June 2014 and 31 December 2013, the Fund did not recognise deferred tax in respect of equity investments which did not meet the criteria described above. The Fund has assessed the resulting deferred tax asset, but does not consider the likelihood of sufficient future taxable profits to offset this credit to be probable. As such the recoverability of this asset would be limited and as a result, no asset has been recognised.

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12. Other liabilities

	30 June 2014	31 December 2013
Investment Management and Administration fees	12,998,558	13,471,953
Provision for litigations	11,259,916	11,104,066
Dividends payable	8,729,121	11,250,020
Payables related to treasury shares under settlement	8,680,662	-
Intermediaries fees	3,823,278	-
Financial Supervisory Authority fees	1,913,737	1,262,977
Income tax payable to the State Budget	10,638,234	-
Tax on dividends	-	1,423,830
Other liabilities	1,804,649	3,755,390
	59,848,155	42,268,236

13. Shareholders' equity

(a) Share capital

As at 30 June 2014, the authorised and issued share capital comprised 13,538,087,407 ordinary shares at a nominal value of RON 0.95 per share (31 December 2013: 13,778,392,208 ordinary shares at a nominal value of RON 1 per share) out of which 363,985,592 shares were unpaid (31 December 2013: 365,254,622 unpaid shares).

In February 2014, the paid-up capital of the Fund decreased by RON 240,304,801 following the cancellation of 240,304,801 treasury shares acquired by the Fund in the first buy-back programme carried on in 2011.

In April 2014, the paid-up share capital of the Fund increased by RON 1,269,040 due to the receipt by the Fund of 26,904 shares in Complexul Energetic Oltenia SA and of 99,990 shares in Hidroelectrica following a share capital increase of these companies, recorded as contribution in kind from the Romanian State to the share capital of the Fund.

In June 2014, the paid-up share capital of the Fund 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.

Following all these changes, the paid-up capital of the Fund decreased from RON 13,413,137,586 to RON 12,515,396,724.25 (divided in 13,174,101,815 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 12,861,183,036.65 (divided in 13,538,087,407 shares with a nominal value of RON 0.95 per share).

Unpaid share capital represents the net value of certain contributions due from the Romanian state, represented by the Ministry of Public Finance. Holders of unpaid shares are not entitled to vote or to receive dividends.

As at 30 June 2014, the State's share in Fund's issued capital was 2.67% (31 December 2013: 2.67%) out of which only 0.02% (31 December 2013: 0.03%) was paid.

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13. Shareholders' equity (continued)

(b) 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 of RON 120,268,583, including transaction costs. 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 meeting 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 with a 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. At 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.

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 30 June 2014, 210,664,000 treasury shares were acquired, at a total acquisition value, including transaction costs, of RON 167,570,496.

At 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 / share or higher than RON 2 / share and the shares repurchased will be cancelled.

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13. Shareholders' equity (continued)

(c) Dividends

During 2013, the Fund distributed dividends, related to statutory profits of the financial year 2012, totalling RON 536,437,206, equivalent to a gross dividend of RON 0.04089 per share. The dividends were distributed based on profits available in 2012 and after due consideration to the level of net assets of the Fund calculated under FSA (former CNVM) regulations and governed by Capital Market Law (Law 297/2004, as subsequently amended).

During 2014, the Fund Manager proposed to keep the remaining RON 648,046,679 (after the compulsory allocation to legal reserves) from the 2013 statutory profits under unallocated retained earnings, taking into account that the Fund Manager has already recommended, and the shareholders have approved, 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. The shareholders voted on the Fund Manager's proposal regarding profit allocation during the 28 April 2014 Annual GSM.

In June 2014, the FSA has issued an Endorsement ("Aviz") no.71/19.06.2014, in which is stated the fact that the net asset value computed in accordance with CNVM Regulation 4/2010, shall not be applied in the context of the requirements in Law 31/1990, with the subsequent amendments, art.69. The FSA has also clarified that the issued Endorsement is applicable prospectively from the date of its official publication, respectively 19 June 2014. For the year ended 2013, the Fund did not propose to its shareholders any dividend distribution. The Fund Manager remains committed to ensuring annual cash distributions to the Fund's shareholders, based on the compliance with the applicable regulations

(d) Return of capital to shareholders

At the 3 February 2014 General Shareholders Meeting, the Fund's shareholders approved the return to shareholders of RON 0.05 per share, following the share capital decrease through the reduction of the nominal value of Fund's share from RON 1 to RON 0.95. The shareholders resolution was published in the Romanian Official Gazette on 15 April 2014 and the endorsement by the Financial Supervisory Authority of the new Constitutive Act reflecting the share capital decrease was issued on 25 June 2014. The shareholders registered with Trade Registry on 30 April 2014 have the right to receive RON 0.05 per share, proportionally with their participation to the paid share capital of Fondul Proprietatea. The payment started on 25 July 2014.

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14. Contingencies

As at 30 June 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:

1. 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.

This decision is irrevocable and it was 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 versions 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 and the 23 November 2012 GSM;
- 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 and 28 April 2014 GSM 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.

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.

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14. Contingencies (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 30 June 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 19 September 2014.

Currently, World Trade Center Bucharest SA is the object of insolvency procedure, the next hearing being set for 10 September 2014.

15. Related parties

(a) Key management

	6 months ended 30 June 2014	6 months ended 30 June 2013
Remunerations		
Members of the Board of Nominees	450,000	329,052

There were no loans to or other transactions between the Fund and its management in 2013 and in the first six months of 2014.

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	6 months ended 30 June 2014	6 months ended 30 June 2013
Investment management fee	20,743,138	16,209,506
Administration fee	5,473,123	4,276,914
Rental expense	52,916	51,749
Operating cost	11,618	13,898
	26,280,795	20,552,067

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15. Related parties (continued)

During the first six months of 2014, the Fund recorded also an amount of RON 941,685 representing expenses incurred by the Fund Manager on its behalf (30 June 2013: RON 758,703). 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 30 June 2014, the Fund owed an amount of RON 13,009,694 to the Fund Manager (31 December 2013: RON 14,019,201).

(b) Subsidiaries

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

	30 June 2014	31 December 2013
Ownership interest		
Alcom S.A. Timisoara	72%	72%
Comsig S.A. Sighisoara	70%	70%
Primcom S.A. Bucuresti	69%	75%
Zirom S.A. Giurgiu	100%	100%

During the first six months of 2014 and 2013, the Fund did not carry out any transaction with its subsidiaries, except that in June Fondul sold part of its holding in Primcom SA.

(c) Associates

The Fund has one associate, which is incorporated in Romania:

	30 June 2014	31 December 2013
Ownership interest		
OMV Petrom S.A.	19%	19%

During the first half of 2014, the Fund recorded and received from OMV Petrom SA a dividend of RON 331,366,364 (30 June 2013: RON 318,951,645).

16. Subsequent events

Disposal of the holding in Transelectrica

In July 2014, the Fund sold the entire holding in Transelectrica (9,895,212 ordinary shares) at RON 21.50 per share, following the completion of the bookbuilding process which was announced on 9 July 2014.

Partial endorsement by the FSA of the new Investment Management Agreement (“IMA”)

In August, the FSA issued Endorsement no. 111/4 August 2014, whereby it endorsed with comments the new IMA no. 45/29 April 2014 concluded between the Fund and the Fund Manager, approved by Resolution no. 1 of the Fund's Ordinary General Shareholders Meeting held on 28 April 2014.

The FSA proposed the following changes to the terms of the IMA, with the argumentation that the amendments requested are based on the Government Decision no. 1514/2008 issued for the first selection process of the Fund Manager that was initiated during 2008 and based on Law no. 247/2005 for setting-up the Fund:

- Force Majeure Event clauses;
- New Appointment Date definition;

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16. Subsequent events (continued)

- Clause 9.6 related to the agenda of October 2015 GSM;
- Clauses 13.3 and 13.4 letter b) regarding the termination of the agreement;
- Clause 14.3 regarding AIFMD implementation;
- Clause 19 regarding the governing law and dispute resolution;
- Clause 21.2 regarding the key employees;
- Clause 22 regarding the language of the IMA;
- Elimination of Distribution fee.

According to this Endorsement, the Fund has the obligation to submit the requested amendments to the IMA for shareholders' approval.

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 semi-annual financial statements as at 30 June 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, Oana Truța, 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 semi-annual financial statements as at 30 June 2014 and confirm that:

- a) The accounting policies used for preparation of the semi-annual financial statements are in compliance with the applicable accounting regulations;
- b) The semi-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 semi-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 first half of 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**

Oana Truța
Legal Representative

Mihaela Moleavin
Financial Reporting Manager

Annex 5 Changes to the current Investment Management Agreement during the six-month period ended 30 June 2014

Addendum No. 3 to the Management Agreement Dated 25.02.2010 Signed Between 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 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 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) proposing for the prior approval of the Board of Nominees and further, of the general assembly 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 in responding 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 Terms of Reference and the final offer formulated following the negotiations in the annexes of this agreement.

9.1 As remuneration for its services under this Management Agreement, the Fund Manager shall receive a management fee in Romanian national currency – Lei, according to the Annexes 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 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 CNVM,*
- d) expenses related to the financial audit performed on Fondul Proprietatea and any other audits or valuations required by the legislation in force applicable to the Customer;*

- e) expenses related to the admission to trading of the financial instruments issued by Fondul Proprietatea, and any subsequent issues or offerings,
- 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 GSM 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 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 banking services performed for Fondul Proprietatea;
- m) expenses related to legal advisers to act on behalf of Fondul Proprietatea;
- n) expenses related to contracts with external service providers existing as of execution of this Management Agreement until the expiry or termination of the contract;
- 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 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.

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 and other fees received by the Fund Manager's employees, agents or representatives from any of the Portfolio companies will be either paid over to the Customer or deducted from the management fee.

9.5 The Fund Manager shall not claim any lien, right of retention, security interest or set-off over the Portfolio or any assets or moneys in it."

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 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 yearly, 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.”

6. Clause 20.2 is deleted.

The other clauses of the Management Agreement signed on 25 February 2010 between Fondul Proprietatea SA and Franklin Templeton Investment Management Limited United Kingdom, as was modified through the Addendum number 1 are 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 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.

Signed by and for

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED UNITED KINGDOM

Annex 6 Approval of the Extension 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. The list containing data regarding Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch (including name, headquarters, professional qualification, the evidence that it is registered with the Trade Register, the evidence that it is registered in the Public Register of the FSA) is published on the internet webpage of the Company and is available at the registered office and may be consulted and completed by shareholders in accordance with the law. 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

Resolution no. 1 / 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 execution of the Investment Management Agreement between Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch and Fondul Proprietatea SA as negotiated between the Board of Nominees and Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch and the empowerment of the Chairman of the Board of Nominees to execute it on behalf of Fondul Proprietatea SA - the Investment Management Agreement is enclosed and is part of this herein resolution. 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 this point on the agenda and the FSA's endorsement of EGM Resolution no. 17/22 November 2013 is received without comments by the date of this meeting, the Investment Management Agreement mentioned above is effective after it is endorsed by FSA, where required by applicable law or regulation.
This item is adopted with 4,414,269,467 votes representing 99.71% 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: 4,414,269,467 votes "for" and 12,452,759 votes "against". Also, there have been recorded 185,396,242 "abstains".

- 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**The Investment Management Agreement between Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch and Fondul Proprietatea SA, as negotiated between the Board of Nominees and Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch****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 Depository 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 Depository, 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 Depository will be appointed by the Fund Manager after consultation with the BoN, with sufficient time in advance, on the identity of the proposed Depository 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 Buzești 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.

Annex 8 New Constitutive Act of Fondul Proprietatea

Constitutive Act In Force updated at 22 July 2014

CONSTITUTIVE ACT IN FORCE UPDATED AT 22 JULY 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 12,861,183,036.65, divided in 13,538,087,407 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, on the basis of the outcome of the selection made subsequent to a tender for appointing the Fund Manager, and to cancel its appointment;
 - e) to appoint and cancel the appointment of the financial auditor and to set the minimum duration of the financial audit agreement;
 - f) to set the level of the remuneration of the members of the Board of Nominees, the Fund Manager and of the financial auditor 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 documents which may create binding obligations to Fondul Proprietatea including, without limitation to, agreements for purchase, sale or exchange or creation of encumbrances of the assets whose value exceeds, either individually or cumulatively during a financial year, 20% 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 must set the day and hour of the second meeting, having the same agenda as the first, in order to cover the situation in which the first meeting can not take place due to non-attendance of the required quorum.
- (10) The general 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 fulfilment 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 fulfilment 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 fulfil 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 approval or rejection of any contract/document which may create binding obligations to Fondul Proprietatea (including without limitation buying, selling, exchanging, pledging of assets of Fondul Proprietatea) whose value exceeds, either individually or cumulatively during a financial year, 20% 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 it's 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 Cluj-Napoca, 18 Iuliu Moldovan street, ap.13, Cluj county, identified with Identity Card series KX number 361489 issued by Cluj-Napoca on 08.06.2004, valid by 20.08.2014, 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 assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
- xi) to enter into any agreement / document which may create binding obligations to Fondul Proprietatea, (the purchase, sale, conversion or encumbrance of the assets of Fondul Proprietatea) whose value does not exceed, either individually or cumulated, during a financial year, 20% 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.

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 New Investment Policy Statement of Fondul Proprietatea

Resolution no. 8 / 28 April 2014 of the Shareholders' Extraordinary General Meeting of FONDUL PROPRIETATEA S.A.

Headquarters: 78-80 Buzesti St, 7th floor, sector 1, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 28 April 2014, 10:00 AM, the shareholders of Fondul Proprietatea S.A. ("the Fund") have met during the Shareholders' Extraordinary General Meeting ("EGM") 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 EGM 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 EGM 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 EGM agenda.

This item is adopted with 4,687,770,245 votes representing 99.36% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Articles of Association corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 4,687,770,245 votes "for",
- 15,282,983 votes "against",
- 7,261,573 votes "abstain", and
- 7,416,671 votes were not casted.

II. The approval of the amendment of the Investment Policy Statement, in the form enclosed in the annex to this resolution.

This item is adopted with 4,623,096,219 votes representing 97.99% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Articles of Association corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 4,623,096,219 votes "for",
- 14,315,627 votes "against",
- 15,617,102 votes "abstain" and
- 64,702,524 votes were not casted.

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 and the amended and restated form of the Constitutive Act, 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 4,639,703,224 votes representing 94.63% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Articles of Association corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 4,639,703,224 votes "for",
- 3,667,454 votes "against",
- 7,795,368 votes "abstain" and
- 251,495,993 votes were not casted.

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 4,647,488,645 votes representing 98.51% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Articles of Association corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 4,647,488,645 votes "for",
- 1,657,082 votes "against",
- 2,020,219 votes "abstain" and
- 66,147,725 votes were not casted.

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 Ionita

Technical secretary

Annex - Investment Policy Statement

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 the start of the Reporting Period (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 non-dividend distributions to shareholders, including (without limitation)_ resulting from share buybacks and/or share capital reductions (including any related transactional costs) implemented after 30 September 2013 for the first Reporting Period and after the start date of each subsequent Reporting Period, and
- iii. any Distribution Fee (as defined in the IMA) paid out after 30 September 2013 for the first Reporting Period and after the start date of each subsequent Reporting Period.
- 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.

< GAIN FROM OUR PERSPECTIVE >



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