

QUARTERLY REPORT

for the quarter ended
30 September 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

Contents

Company Information	2
Overview	4
Significant Events	6
Analysis of the Activity of the Fund	12
Financial Analysis	22

Annexes

Annex 1	Balance Sheet, Income Statement and Informative Data as at 30 September 2014, prepared in accordance with the National Securities Commission (“CNVM”) Regulation no. 4/2011 regarding accounting regulations compliant with EEC Directive IV applicable to the entities authorised, regulated and monitored by the Financial Supervisory Authority (“FSA”), approved by CNVM Order no. 13/2011 (“Romanian Accounting Regulations”)	26
Annex 2	Statement of Assets and Obligations of Fondul Proprietatea as at 30 September 2014, including the Detailed Statement of Investments, prepared in accordance with CNVM Regulation 4/2010 (Annex no.4)	34
Annex 3	Condensed Financial Statements for the nine-month period ended 30 September 2014, prepared in accordance with IAS 34 <i>Interim Financial Reporting</i> , based on International Financial Reporting Standards	38

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	Q3 2014	Q3 2013	H1 2014
Total Shareholders’ Equity (RON million)	10,955.5	11,488.2	11,152.8
Total NAV (RON million)	14,703.4	14,920.1	14,850.5
NAV per Share (RON)	1.2438	1.1610	1.2518
NAV per Share change in the period (%)*	-0.6%	+0.8%	+0.7%
NAV per Share Total Return (%)*	-0.6%	+0.8%	+4.7%
Share Price as at the end of the period (RON)	0.9490	0.7600	0.8530
Share Price Low (RON) ¹	0.8255	0.6065	0.7590
Share Price High (RON) ¹	0.9490	0.7625	0.8560
Share Price change in the period (%)*	+11.3%	+22.7%	+2.3%
Share Price Total Return (%)*	+11.3%	+22.7%	+9.0%
Discount to NAV as at the end of the period	23.7%	34.5%	31.9%
Average Discount for the period	30.6%	41.9%	34.0%
Total Share Turnover (RON million)	803.2	991.9	1,399.0
Average Daily Share Turnover (RON million)	12.4	15.3	11.3

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

*Compared to the end of the previous period

Share Capital Information	30 September 2014*	30 June 2014**	31 December 2013
Issued Share Capital (RON)	11,815,279,886.85	12,861,183,036.65	13,778,392,208
Paid Share Capital (RON)	11,469,656,813.90	12,515,396,724.25	13,413,137,586
Number of Shares in Issue	12,437,136,723	13,538,087,407	13,778,392,208
Number of Paid Shares	12,073,322,962	13,174,101,815	13,413,137,586
Nominal value per share (RON)	0.95	0.95	1

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

**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-4025-2/27.10.2014

Shareholder Structure² (as at 30 September 2014)

Shareholder Categories	% of subscribed share capital	% of paid-up share capital	% of voting rights
Foreign institutional shareholders	58.89%	60.66%	61.96%
Romanian private individuals	20.61%	21.23%	21.68%
Romanian institutional shareholders	10.07%	10.37%	10.60%
Foreign private individuals	5.44%	5.61%	5.72%
Ministry of Public Finance ³	0.04%	0.04%	0.04%
Treasury shares ⁴	2.03%	2.09%	-
Unpaid shares ⁵	2.92%	-	-

There were 7,995 shareholders on 30 September 2014.

Contact Details

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

Web: www.fondulproprietatea.ro

E-mail: investor.relations@fondulproprietatea.ro

Telephone: +40 21 200 9600

Fax: +40 21 200 9631/32

² Source: Central Depository

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

⁴ 252,858,056 treasury shares acquired by the Fund through the third buy-back programme.

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 quarter ended 30 September 2014, with an unaudited net loss of RON 70.0 million (net profit for the quarter ended 30 September 2013 was RON 20.6 million). For the nine-month period ended 30 September 2014 the net profit was RON 984.5 million (for the nine-month period ended 30 September 2013 the net profit was RON 535.2 million).

The main factor behind the higher profits in the first nine months of 2014 was the net accounting gain on disposal of equity investments, while the loss in the quarter ended 30 September 2014 was principally due to the net accounting loss on the disposals of the portfolio holdings during the quarter.

Total shareholders' equity was RON 10,955.5 million as at 30 September 2014 (30 June 2014: RON 11,152.8 million).

The Fund reported a Net Asset Value ("NAV") of RON 14,703.4 million as at 30 September 2014 and a Net Asset Value per Share ("NAV/share") of RON 1.2438 (a negative NAV per Share total return of -0.6% compared to 30 June 2014). The NAV is prepared in accordance with the local rules issued by the capital market regulator.

In the quarter ended 30 September 2014, the Bucharest Stock Exchange was one of the best performing market in Central Europe in both local currency and EUR terms, as shown in the table below.

% change in Q3 2014	in local currency	in EUR
BET-XT (Romania)	3.0%	2.4%
WIG20 (Poland)	3.8%	3.2%
PX (Czech Republic)	-1.8%	-2.0%
BUX (Hungary)	-3.9%	-4.2%
ATX (Austria)	-11.9%	-11.9%

NAV and Share Price Developments	Note	Q3 2014	Q3 2013	H1 2014	Changes	
					Q3 2014 vs Q3 2013	Q3 2014 vs H1 2014
Total Shareholders' Equity (RON million)	a	10,955.5	11,488.2	11,152.8	-4.6%	-1.8%
Total NAV (RON million)	b, d	14,703.4	14,920.1	14,850.5	-1.5%	-1.0%
NAV per Share (RON)	b, d	1.2438	1.1610	1.2518	7.1%	-0.6%
NAV per Share Total Return (%)*	c	-0.6%	+0.8%	+4.7%		
Share Price as at the end of the period (RON)		0.9490	0.7600	0.8530	24.9%	11.3%
Share Price Total Return (%)*	c	+11.3%	+22.7%	+9.0%		
Return of capital to shareholders (RON per share)		-	-	0.05		
Share Price Discount to NAV as at the end of the period		23.7%	34.5%	31.9%		

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

*Compared to the end of the previous period

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:

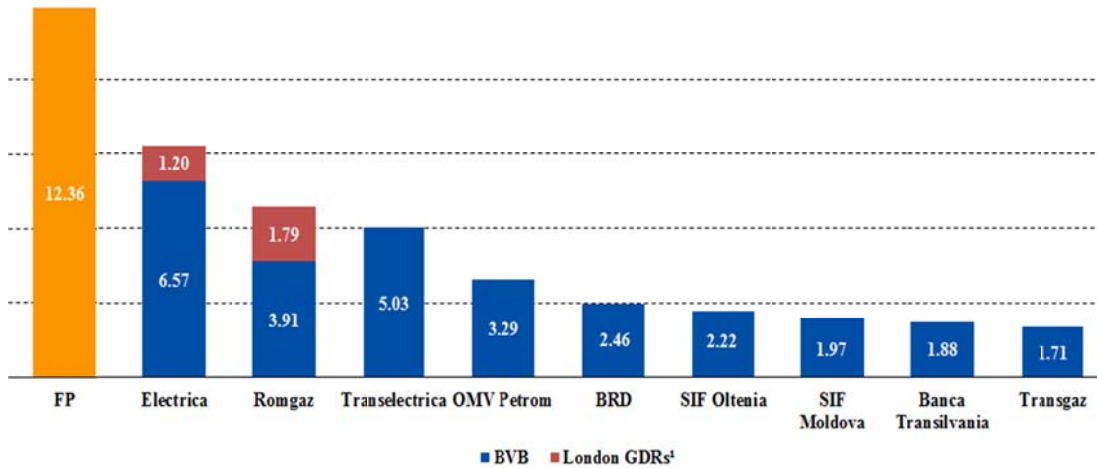
	Local Capital Market Regulations*	Romanian Accounting Regulations
Listed securities	Valued at closing market prices (regulated markets)	Valued at cost less adjustments for impairment
	Valued at reference prices (Rasdaq market)**	
Unlisted or illiquid listed securities	Valued as per latest issued annual 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.

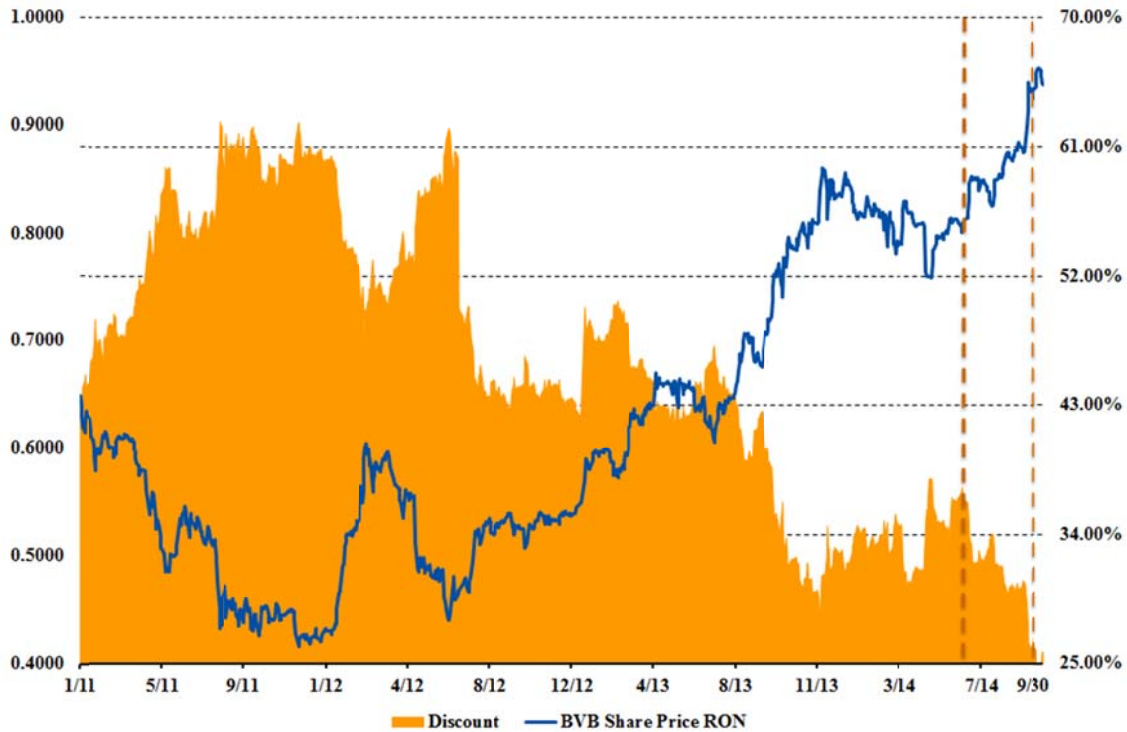
Significant Events

Average Daily Turnover in the quarter ended 30 September 2014 (RON million)



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

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



Source: BVB

Investor Relations Update

In our efforts to promote the Fund's profile and visibility, as well as the local capital market, and Romania in general, to a broader international institutional investor base, during the third quarter of 2014, we organised a road-show to London in July and participated to the UniCredit Annual Emerging Europe Investment Conference in Warsaw in September, where we met with 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.

Also, during this period, we organised more than 30 individual meetings and 20 conference calls with current shareholders and potential investors of the Fund in order to address their questions on the Fund's corporate actions, and latest developments of the underlying holdings.

On 14 August, we held the Fund's semi-annual results conference call for investors and analysts where we presented the financial results of the first six months of the year.

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

During the third quarter of 2014, the Fund Manager and the Consortium (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) finalised the documentation required for the secondary listing of the Fund on the London Stock Exchange and this is ready to be filed as soon as the FSA endorses the changes to the current regulations necessary to permit the use of Depositary Interests ("DIs").

Once the FSA changes come into force, the Fund Manager will file relevant LSE admission to trading documents immediately (subject to making any amendments requires by the FSA's final amended rules).

The current target for listing is early December 2014, as long as the FSA endorses the changes to the current regulations necessary to permit the use of DIs in due time.

Buy-back Programmes

The Third Buy-back Programme

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

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

The Fourth Buy-back Programme

The fourth buy-back programme refers to the acquisition of a maximum number of 990,855,616 shares. The price range is a minimum of RON 0.2 per share and a maximum of RON 2.0 per share. The buy-back programme can be executed during the following 18 months starting with the date the EGM Resolution approving the programme was published in the Official Gazette, namely until 27 November 2015. The shares repurchased during the fourth buy-back programme will be cancelled. The Fund Manager also announced that following the evaluation of the offers submitted in the brokers' selection process, Raiffeisen Bank was selected to provide brokerage services for this programme. For further details on the fourth buy-back programme, please read *Subsequent Events* section.

The Fifth Buy-back Programme

Furthermore, to ensure that the Fund Manager will be able to continue with the share repurchases, the Fund Manager has proposed on the agenda of the 19 November 2014 General Shareholders' Meeting the approval of the fifth buy-back programme that refers to the acquisition of a maximum number of (i) 227,572,250 shares or (ii) 10% of the subscribed share capital at the relevant time, whichever is the lesser, starting with the date when the share capital decrease approved through EGM Resolution on 23 September 2014 (regarding the cancellation of the shares purchased by the Fund during the third buy-back programme) is effective, for a maximum period of 18 months as of the date when the

shareholders' resolution is published in the Official Gazette of Romania, Part IV. The buy-back shall be performed at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share. The buy-back transaction can only be applied for fully paid shares. The shares purchased will be cancelled. The shareholders' decision regarding the share capital decrease and the change of the Constitutive Act will be approved by the shareholders, with the observance of the provisions of the Constitutive Act, being agreed that the shareholders may approve one or more share capital decreases as the shares are being bought back and the shareholders are convened by the Sole Administrator. This buy-back programme implementation will be subject to the availability of the necessary cash.

Shares Cancellation

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

During the Extraordinary General Shareholders' Meeting held on 23 September 2014, shareholders approved the decrease of the share capital through the cancellation of 252,858,056 shares repurchased by the Fund during the third buy-back programme. The share capital decrease will be effective after the endorsement by the Financial Supervisory Authority is 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 on 10 October 2014.

Distributions to Shareholders

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

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

By 30 September 2014, shareholders had collected over 97% of the total distribution of RON 601.3 million.

Annual Distribution Policy

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

"In the absence of exceptional market conditions or circumstances, and subject to any restrictions under Romanian legal or tax regulations, the Fund Manager intends to recommend to shareholders a cash distribution related to each financial year equivalent to 100% of the sum of (i) the Fund's dividend income from portfolio companies, (ii) plus interest on cash balances, (iii) less expenses and taxation and (iv) less compulsory allocations to reserves according to the regulations in force, in each case for that year. The cash distributions would be paid to shareholders either in the form of a return of capital (by decreasing the nominal value per share) or in the form of dividends, in each case subject to any restrictions under Romanian legal or tax regulations. In the case of dividend distributions (where permitted by applicable law), the distributable amount will be assessed based on audited financial information. In the case of a return of capital, the distributable amount will be based on a best estimate according to the latest management accounts at the time of proposing the resolution".

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

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 changes to the following 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 called the General Shareholders’ Meeting on 23 September 2014. The shareholders approved the following resolutions related to the IMA on 23 September 2014:

- Addendum 1 to the IMA that contains all proposals made by the FSA Endorsement no. 111/4 August 2014, and
- Addendum 2 to the IMA that would reinstate the same terms as were in the IMA approved by shareholders and signed by the Chairman of the Board of Nominees and the Fund Manager on 29 April 2014, but not fully endorsed by the FSA. The one exception to this principle is the addition of a clarification in the wording of the Annex to the Investment Management Agreement, regarding the Distribution Fee, which has been specified in order to reflect the original agreement that these fees should apply from 30 September 2014 (even if these amendments are approved by FSA and take effect at a later date).

Addendum 1 to the IMA entered into force on 30 September 2014. Addendum 2 will enter into force after the FSA’s endorsement, if required by the legislation in force.

General Shareholders’ Meeting

On 23 September 2014, the shareholders of the Fund approved:

1. Amendments of the Constitutive Act of Fondul Proprietatea that will be effective after FSA endorsement, according to the legislation in force.
2. The decrease of the subscribed share capital of Fondul Proprietatea from RON 11,815,279,886.85 to RON 11,575,064,733.65, pursuant to the cancellation of 252,858,056 own shares acquired by the Fund and the change of Article 7 of the Constitutive Act after the share capital decrease is effective.
3. The ratification and the approval of all resolutions taken by the EGM and of all legal acts (including decisions and contracts) concluded, adopted and issued in the name of Fondul Proprietatea through Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, between 6 September 2010 and 22 September 2014 and the approval and the ratification of any implementation acts, facts and operations based on such, including the management of the Fund under an unitary system.
4. The renewal of the mandate of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch as Sole Administrator and Fund Manager of Fondul Proprietatea for a duration of 2 years starting with 30 September 2014.
5. Addendum no. 1 to the Investment Management Agreement no. 45 signed between Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch and Fondul Proprietatea on 29 April 2014 (“IMA”), reflecting the changes imposed by the Endorsement no. 111/4 August 2014 issued by the FSA.

6. Addendum no. 2 to the Investment Management Agreement, targeting the reinstatement of the provisions of the IMA approved by shareholders in April 2014 and not endorsed by the FSA, and clarification regarding the date on which the distribution fee applies. The Addendum no. 2 shall be effective from the latest of the following dates: (i) the date of the endorsement by the FSA of such; and (ii) 15 October 2014.
7. The execution of Addendum no. 2 to the audit contract concluded between Fondul Proprietatea and Deloitte Audit S.R.L in accordance with OGM Resolution no. 13/22 November 2013.
8. The ratification and the approval of all OGM decisions and all legal acts (including decisions and contracts) concluded, adopted or issued on behalf of Fondul Proprietatea by Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, as well as any management/administration measures adopted and/or implemented by it, approved or concluded between 6 September 2010 and 22 September 2014; the ratification of the appointment of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch as Sole Administrator of Fondul Proprietatea and as Fund Manager pursuant to Law no. 297/2004 and according to the IMA signed on 25 February 2010 and the IMA signed on 29 April 2014 and the ratification and approval of the IMA signed on 25 February 2010 including all amendments thereto and the IMA signed on 29 April 2014.

Main updates on litigations

In the administrative file regarding the legal action filed by the Fund against the FSA 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 is awaiting a hearing date at the Supreme Court of Justice.

Subsequent Events

Agenda of 19 November 2014 General Shareholders' Meeting.

On 25 September 2014 the Fund Manager convened a General Shareholders' Meeting for 19 November 2014 including the following main items on the agenda:

- The approval of some changes of the Constitutive Act;
- The approval of a new buy-back programme for a maximum number of 227,572,250 shares;
- The ratification and approval of all previous Extraordinary General Shareholders' Meetings ("EGM") and Ordinary General Shareholders' Meetings ("OGM") decisions;
- The approval of 2015 Fund's budget;
- The approval of the financial auditor;
- The appointment of three members of the Board of Nominees following the expiration of three mandates in April 2015;
- The approval of engaging independent valuers for performing valuation services on certain holdings of Fondul Proprietatea in both listed and unlisted portfolio companies;

Updates on the Fourth Buy-Back Programme

On 1 October, the Fund started the 4th buy-back. By the date of this report, the Fund repurchased 36.35 million shares.

On 20 October, the Fund filed with the FSA an application for a buy-back tender offer to accelerate the fourth buy-back programme by acquiring 750 million shares from the Fund's shareholders.

On 28 October 2014 the Financial Supervisory Authority approved the Fund's application for a Public Tender Offer and the key details of the Offer are as follows:

- Number of shares to be repurchased: 750,000,000 representing 6.0303% of the share capital as registered at the Trade Registry;
- Nominal value: 0.95 RON/share;
- Purchase price: 1.11 RON/share;

- Subscription period: 3 November – 2 December 2014;
- Allocation method: pro-rata;
- Intermediary of the offer: Raiffeisen Bank S.A;
- Subscription locations: at the office of Raiffeisen Bank S.A, at Calea Floreasca 246D, Office Building, 1st District, Bucharest, postal code 014476, during its regular working hours of each working day within the Offer Period, from Monday to Friday; and at the registered office of other intermediaries authorized by the FSA, who have signed and submitted with the Intermediary the letter of engagement to abide by the terms and conditions of the Public Offer (hereinafter called “Letter of Engagement”) and who was granted access to the market segment of the BVB used for the Public Offer, during the regular working hours of the respective intermediary of each working day within the Offer Period, from Monday to Friday.

Change in the Fund’s paid-up share capital

As at 27 October 2014, the new value of the Fund’s paid-up share capital is RON 11,469,658,154.35, while the subscribed share capital of the Fund remains unchanged at RON 11,815,279,886.85.

The change is a result of the off-set between the value of the Romanian State’s outstanding debt related to unpaid share capital towards the Fund and the value of newly received shares by the Fund from the Romanian State in Hidroelectrica S.A. (134 shares were received by the Fund therein with an aggregate value of RON 1,340).

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.

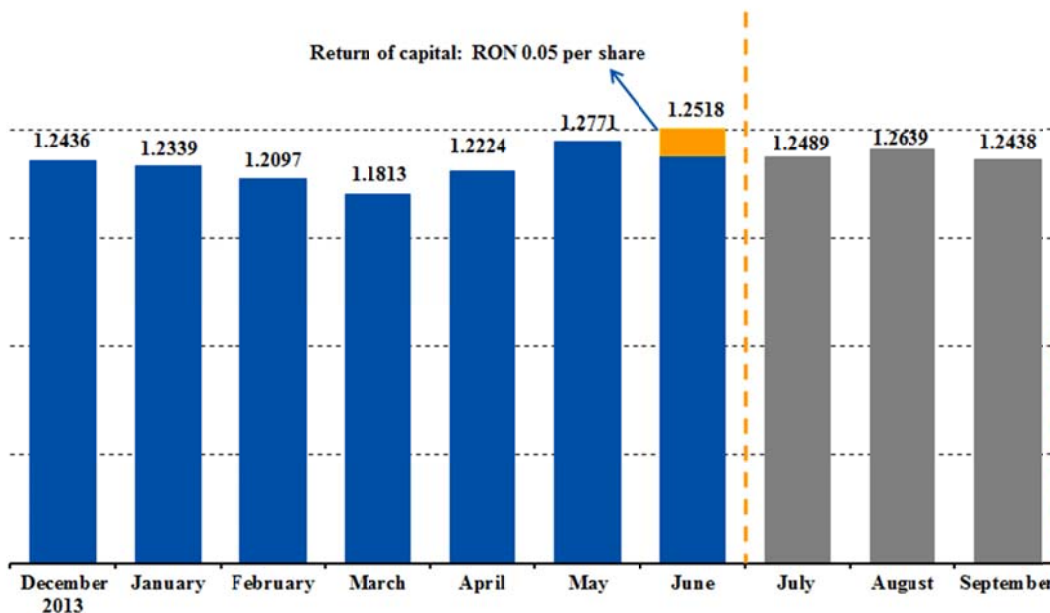
Listed securities are valued at closing market prices, if listed on regulated markets or reference prices, if listed on Rasdaq (reference price is considered the closing price for the securities listed on section RGBS of Rasdaq and the average price for the securities listed on section XMBS of Rasdaq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

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 a 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 September 2014:

NAV/share (RON/share)



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

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

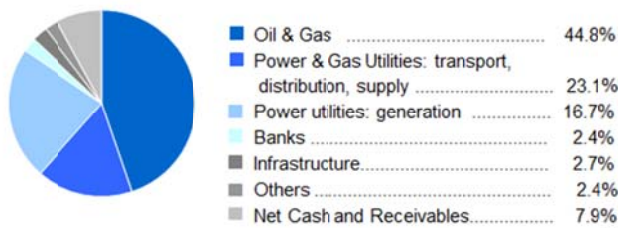
The Fund’s NAV per share had a slight downward trend in the third quarter of 2014, mainly due to the negative impact of the decrease of the share price of certain portfolio companies, principally OMV Petrom (impact of RON 125.9 million or RON 0.0106 per share), while the increase of the share price of other portfolio companies, mainly Romgaz (impact of RON 50.1 million or RON 0.0042 per share) had a positive influence.

During the third quarter of 2014, there was no change in the valuation of the Fund’s unlisted holdings.

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 92.1% of the Fund’s NAV as at 30 September 2014. As at that date, the portfolio was composed of holdings in 55 companies (17 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. 84.6% 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 September 2014, based on NAV reports submitted to the FSA.

Portfolio Structure – Equity Investments - Listed Versus Unlisted



- The largest listed company is OMV Petrom (69.3% 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 September 2014, based on NAV reports submitted to the FSA.

Top 20 Equity Investments

No	Name	Fund's Stake (%)	Value as at 30 September 2014 (RON million)	% of NAV
1	OMV Petrom SA	18.99%	5,059.8	34.4%
2	Hidroelectrica SA	19.94%	2,105.2	14.3%
3	Romgaz SA	10.00%	1,387.5	9.4%
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	2.8%
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	2.0%
11	Nuclearelectrica SA	9.72%	226.4	1.5%
12	BRD - Groupe Societe Generale	3.64%	220.7	1.5%
13	Electrica Distributie Transilvania Nord SA	22.00%	206.7	1.4%
14	Electrica Distributie Transilvania Sud SA	22.00%	192.0	1.3%
15	E.ON Gaz Distributie SA	12.00%	165.2	1.1%
16	E.ON Energie Romania SA	13.39%	130.9	0.9%
17	Banca Transilvania	2.93%	130.6	0.9%
18	Conpet SA	29.70%	127.7	0.9%
19	Complexul Energetic Oltenia SA	21.55%	120.0	0.8%
20	Societatea Nationala a Sarii SA (Salrom)	49.00%	114.1	0.8%
Top 20 equity holdings			12,945.90	88.0%
Total equity holdings			13,536.6	92.1%
Net cash and receivables			1,166.8	7.9%
Total NAV			14,703.4	100.0%

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

Key Portfolio Developments in the Period**Acquisitions and Disposals**

During the third quarter of 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 book building process which was announced on 9 July 2014. The Fund also sold the entire stakes in Transilvania Com and Severnav, and a part of its holding in Oil Terminal.

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

In September 2014, the Fund received 16,324 shares in Hidroelectrica with a total nominal value of RON 163,240. This was a share capital increase of Hidroelectrica, equivalent to the value of land for which Hidroelectrica obtained title, and the shares received were recorded by the Fund as contributions in kind by the Romanian state, represented by the Ministry of Public Finance, to the share capital of the Fund.

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 to 51.8 RON/MWh for household consumers.

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. Following these changes, the liberalisation steps scheduled for 1 July 2014 on the calendar for non-household consumers and for 1 October 2014 for household consumers were no longer implemented.

Update on the Largest 20 Portfolio Companies

Banca Transilvania

RON million	2012	2013	9 months 2013	9 months 2014	2014*
Operating income	1,587.3	1,759.6	1,147.7	1,449.3	942.0
Net impairment losses	437.0	462.2	280.5	442.0	430.0
Net profit	346.5	408.6	240.2	338.1	512.0**

Source: based on IFRS financial statements

*Budgeted figures

**Gross profit

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

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

BRD – Groupe Societe Generale

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

Source: Based on consolidated IFRS financial statements

* Budget

** IFRS unconsolidated results

November: The bank published unconsolidated IFRS financial statements for the first nine months of the year. During the period, the bank reported a net profit of RON 20.1 million (compared with RON 50.5 million during the similar period of the previous year). Net banking income decreased by 8.8% year on year (“y.o.y”) to RON 2,878.8 million, while general operating expenses decreased by 4.2% y.o.y. to RON 909 million, leading to a gross operating results of RON 970.2 million, down 12.7% y.o.y. Net cost of risk decreased by 8.6% y.o.y. compared to the similar period of the previous year to RON 951.7 million.

CN Aeroporturi Bucuresti SA

RON million	2012	2013*	H1 2013	H1 2014	2014**
Sales	555.5	582.6	268.5	294.1	676.8
Operating profit	80.9	93.9	40.5	60.8	40.1
Net profit	53.1	71.9	31.1	52.6	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

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

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

Complexul Energetic Oltenia SA

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

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

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

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

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

Conpet SA

RON million	2012	2013	9 months 2013	9 months 2014	2014*
Sales	334.2	348.9	257.2	281.9	388.5**
Operating profit	29.9	29.9	38.9	51.1	26.9
Net profit	30.8	31.3	39.6	47.9	30.3
Dividends	28.3	29.5			

Source: Based on IFRS financial statements

* Budget figures

** Operating income

November: According to nine months financial results reported by the company, net profit advanced by 21.0% y.o.y. to RON 47.9 million, while turnover advanced by 9.6% y.o.y. to RON 281.9 million. During the period, total transported volume reached 4.9 million tonnes, up 15.7% 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

E.ON Moldova Distributie SA

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

November: In the beginning of the month the General Shareholders Meetings voted in favor of the merger through absorption of the electricity distributor E.ON Moldova Distributie (absorbed company) with the gas distributor E.ON Gaz Distributie (absorbing company). Based on the merger project, the Fund's stake in the combined entity will be around 18.3%. The effective date of the merger is 31 December 2014.

E.ON Energie Romania SA

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

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

* Budgeted figures

Electrica Distributie Muntenia Nord SA (“EDMN”)

RON million	2012	2013	H1 2013	H1 2014	2014*
Total revenues	752.3	792.8	396.9	388.3	813.5
Operating profit	99.1	132.6	78.1	78.1	127.4
Net profit	87.1	126.5	74.9	75.8	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 SA (“EDTN”)

RON million	2012	2013	H1 2013	H1 2014	2014*
Total revenues	609.1	656.3	325.4	332.8	677.4
Operating profit	68.8	88.0	60.7	70.4	99.5
Net profit	53.1	63.7	50.8	61.1	78.2
Dividends	-	-			

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

*Budgeted figures

Electrica Distributie Transilvania Sud SA (“EDTS”)

RON million	2012	2013	H1 2013	H1 2014	2014*
Total revenues	674.4	716.1	354.8	366.1	733.1
Operating profit	61.7	90.3	45.7	76.3	108.0
Net profit	45.8	69.3	33.6	66.5	88.5
Dividends	-	55.2			

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

*Budgeted figures

ENEL Distributie Banat SA (“EDB”)

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

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

*Budgeted figures

ENEL Distributie Dobrogea SA (“EDD”)

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

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

*Budgeted figures

ENEL Distributie Muntenia SA (“EDM”)

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

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

*Budgeted figures

July: 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 privatisation contract.

GDF Suez Energy Romania SA

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

Source: IFRS consolidated financial statements

*Budgeted figures

**Dividends are based on the separate financial statements

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

Hidroelectrica SA

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

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

*Budgeted figures

**Operating revenues

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

August: Following the implementation of the initiatives to optimise the cost base and the increase in revenues due to better hydrology, the company reported in the 9 month-period of the year, the strongest profitability in its history: pre-tax profit of RON 819.0 million compared with a pre-tax profit of RON 683.0 million in 2013.

Nuclearelectrica SA

RON million	2012	2013	H1 2013	H1 2014	2014*
Sales	1,652.4	1,932.5	985.4	853.8	1,816.3
Operating profit	156.5	459.3	227.3	26.6	103.1
Net profit	19.9	426.9	200.2	59.4	99.0
Dividends**	28.5	340.9			47.7

Source: Based on IFRS consolidated financial statements audited

* Budgeted figures

**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

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

OMV Petrom SA

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

Source: Based on consolidated IFRS financial statements

*Budgeted figures

**Dividends based on separate individual IFRS financial statements

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

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

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

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

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

Romgaz SA

RON million	2012	2013	H1 2013	H1 2014	2014**
Sales	3,837.9	3,894.3	1,901.1	2,526.3	5,089.5
Net profit	1,119.2	995.6	622.4	870.9	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

July: On 30 July 2014 the General Shareholders' meeting of Romgaz 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. In the same meeting, the shareholders appointed Sergiu Manea, Executive Vice-President, Corporate Banking and Capital Markets at BCR, as member of the Board of Administrators.

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

Societatea Nationala a Sarii SA (Salrom)

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

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

Changes Affecting the Share Capital of the Fund

On 16 September 2014, the paid-up share capital of the Fund increased by RON 163,239.45, to RON 12,515,559,963.70, while its subscribed capital remained unchanged at RON 12,861,183,036.65. The increase in the paid-up share capital reflects a reduction in the unpaid share capital held by the Romanian state due to the receipt by the Fund of 16,324 shares in Hidroelectrica following share capital increases by the company related to the value of land for which Hidroelectrica obtained title deeds.

On 26 September 2014 as a result of the cancellation of the shares acquired during the second buy-back programme (1,100,950,684 shares) the new value of the Fund's subscribed share capital is RON 11,815,279,886.85, being divided into 12,437,136,723 shares and the value of the paid-up share capital is RON 11,469,656,813.90, being divided into 12,073,322,962 shares. The nominal value of Fund's shares is RON 0.95 per share.

For further updates, please read the *Subsequent Events* section.

Financial Analysis

The unaudited Balance Sheet and Income Statement for the nine-month period ended 30 September 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 quarter ended 30 September 2014.

Balance Sheet

RON million	31 December 2013 Audited	30 June 2014 Unaudited	30 September 2014 Unaudited
Intangible assets	0.8	0.6	0.7
Financial assets	10,490.6	10,157.0	9,788.7
Non-current assets - total	10,491.4	10,157.6	9,789.4
Current assets - total	454.1	1,659.9	1,231.1
Prepaid expenses	-	0.2	0.1
Payables within one year	31.2	649.9	50.1
Total assets less current liabilities	10,914.3	11,167.8	10,970.5
Provisions	29.3	15.0	15.0
Shareholders' equity	10,885.0	11,152.8	10,955.5

As at 30 September 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.

The decrease of the financial assets during the quarter ended 30 September 2014 (RON 368.3 million) was mainly due to the disposal of the entire holding in Transelectrica (total impact RON 222.6 million), combined with the increase of the impairment adjustments for the holding in OMV Petrom (RON 125.9 million).

The decrease in **current assets** of RON 428.8 million and in **payables** of RON 599.8 million in the third quarter of 2014, were mainly accounted for by the payment of the return of capital to shareholders (started in 25 July 2014). The proceeds on disposal of equity investments in the third quarter of the year, mainly of the holding in Transelectrica, had a positive impact on the current assets balance at the end of the period.

Income Statement

RON million	Quarter 3	Quarter 3	9 month	9 month
	2013	2014	period ended	period ended
	Unaudited	Unaudited	30 September	30 September
			2013	2014
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues from current activity, out of which:	49.8	246.8	924.6	1,699.4
Revenues from financial assets	15.0	20.0	619.8	669.8
Interest income	10.4	8.4	31.1	16.8
Reversal of impairment adjustments & provisions	23.6	0.2	24.6	30.2
Revenues from disposal of financial assets	0.2	216.7	248.0	979.1
Revenues from foreign exchange differences	-	0.1	0.1	1.4
Other income from current activity	0.6	1.4	1.0	2.1
Expenses from current activity, out of which:	29.2	307.7	389.4	690.9
Expenses from disposal of financial assets	0.2	277.4	319.1	605.6
Expenses from foreign exchange differences	-	0.1	0.1	2.2
Depreciation, provisions, losses from receivables and sundry debtors	11.1	0.1	12.7	2.1
Commissions and fees	4.3	9.0	15.7	23.1
Other expenses from current activity*	13.6	21.1	41.8	57.9
Gross profit / (loss)	20.6	(60.9)	535.2	1,008.5
Income tax expense	-	9.1	-	24.0
Net profit / (loss)	20.6	(70.0)	535.2	984.5

* 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. In Romania, companies typically declare dividends in the second quarter of the year, which explains the reduced dividend income in the third quarter. The main part of the dividends recorded in the third quarter of 2014 was received from Societatea Nationala a Sarii (Salrom).

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

Revenues from disposal of financial assets represent the proceeds from the sales of portfolio company holdings (Transelectrica, Transilvania Com and Severnav), while the **expenses from disposal of financial assets** represent the cost of the investments disposed of.

Commissions and fees in the third quarter of 2014 mainly include the FSA's 0.1% per annum fee, calculated on the basis of the Fund's NAV, amounting to RON 3.7 million (third quarter of 2013: RON 3.8 million), and the depositary bank's fees of RON 0.5 million (third quarter of 2013: RON 0.4 million). During the third quarter of 2014, commission and fees included also intermediaries fees related to the disposals of equity investments, for the amount of RON 4.3 million, and FSA and BVB related fees in amount of RON 0.5 million.

The **Income tax expense** arising during the third quarter is tax due as a result of the cancellation of the shares bought back in the second buy-back programme.

Other expenses from current activity can be analysed as follows:

RON million	Quarter 3	Quarter 3	9 month	9 month
	2013	2014	period ended	period ended
	Unaudited	Unaudited	30 September	30 September
			2013	2014
			Unaudited	Unaudited
FTIML investment management and administration fees	11.3	14.2	31.8	40.4
Salaries	0.3	0.3	0.7	0.9
Stamp duties for litigations	0.1	-	0.1	0.1
Other expenses	1.9	6.6	9.2	16.5
Other expenses from current activity	13.6	21.1	41.8	57.9

During the third quarter of 2014, **other expenses from current activity** increased by RON 7.5 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 (including withholding tax expenses, where applicable), investor relations expenses, expenses related to the valuation of the unlisted holdings and other advisory fees (for the Fund or Board of Nominees members). The increase of this category of expenses was mainly due to the higher value of transactions and advisory related costs.

Analysis of 2014 Income Statement by Quarters

Although this report covers the quarter ended 30 September 2014, given that the Fund reports on a quarterly basis, the following split has been prepared to show also the actual results for the nine-month period ended 30 September 2014.

RON million	Quarter			9-month period
	Q1 2014	Q2 2014	Q3 2014	ended
	Unaudited	Unaudited	Unaudited	30 September 2014
				Unaudited
Revenues from current activity, out of which:	135.2	1,317.4	246.8	1,699.4
Revenues from financial assets	-	649.8	20.0	669.8
Interest income	3.7	4.7	8.4	16.8
Reversal of impairment adjustments & provisions	16.2	13.8	0.2	30.2
Revenues from disposal of financial assets	114.9	647.5	216.7	979.1
Revenues from foreign exchange differences	0.3	1.0	0.1	1.4
Other income from current activity	0.1	0.6	1.4	2.1
Expenses from current activity, out of which:	209.8	173.4	307.7	690.9
Expenses from disposal of financial assets	186.9	141.3	277.4	605.6
Expenses from foreign exchange differences	0.6	1.5	0.1	2.2
Depreciation, provisions, losses from receivables and sundry debtors	0.2	1.8	0.1	2.1
Commissions and fees	4.6	9.5	9.0	23.1
Other expenses from current activity *	17.5	19.3	21.1	57.9
Gross Profit / (Loss)	(74.6)	1,144.0	(60.9)	1,008.5
Income tax expense	4.4	10.5	9.1	24.0
Net Profit / (Loss)	(79.0)	1,133.5	(70.0)	984.5

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

Financial Ratios

		30 September 2014	
1. Current Liquidity ratio			
<u>Current Assets</u>		=	24.6
<u>Current Liabilities</u>			
2. Debt-to-Equity ratio (%)			
<u>Borrowings*</u>	x 100	=	0
Shareholders' Equity			
*The Fund had no borrowings at the end of the period, therefore this ratio is nil			
3. Debt Turnover ratio (number of days)			
<u>Average balance of debtors</u>	x 365	=	n.a.
Turnover or sales			
This ratio is not applicable to an investment fund and cannot be calculated.			
4. Turnover of Non-current Assets			
<u>Gross turnover*</u>		=	0.174
Non-current assets			
*Total Revenues from current activity have been used in computation of this ratio. This ratio has no real significance for an investment fund.			

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
12 November 2014

Prepared by
Mihaela Moleavin
Financial Reporting Manager

Annex 1

FONDUL PROPRIETATEA S.A.
BALANCE SHEET, INCOME STATEMENT
AND INFORMATIVE DATA
AS AT 30 SEPTEMBER 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, (“Romanian Accounting Regulations”)

(This is a translation from the official Romanian version)

FONDUL PROPRIETATEA S.A.
BALANCE SHEET
AS AT 30 SEPTEMBER 2014
FORM CODE 10

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

The format of the Financial Statements as at 30 September 2014 for the entities authorised, regulated and monitored by the Financial Supervision Authority (FSA), for the closed-end funds (AOPC) set up under articles of association

Type of financial statement: SI

County: Bucharest

Legal entity: Fondul Proprietatea S.A.

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

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

Trade Register no.: J40/21901/2005

Ownership type: 22

Main activity:

(CAEN group): 643

CAEN class: 6430

Sole Registration Code: 18253260

A	Row	Note	Balance	
			1 January 2014 Audited	30 September 2014 Unaudited
	B		1	2
A. NON-CURRENT ASSETS				
I. INTANGIBLE ASSETS				
3. Concessions, patents, licences, trademarks and similar rights and other intangible assets (acc. 205 + 208 - 2805 - 2808 - 2905 - 2908)	03		760,113	553,305
5. Advances and intangible assets in progress (acc. 233+234-2933)	05		-	127,137
TOTAL: (rows 01 to 05)	06		760,113	680,442
III. FINANCIAL ASSETS				
1. Shares held in subsidiaries (acc. 261 - 2961)	12		67,481,778	64,890,357
3. Investments in associates (acc. 263 - 2963)	14		5,054,412,918	5,059,792,241
5. Other investments held as financial assets (acc. 262 + 264 + 265 + 266 - 2696 - 2962 - 2964)	16		5,368,734,780	4,664,011,619
TOTAL: (rows 12 to 17)	18		10,490,629,476	9,788,694,217
NON-CURRENT ASSETS - TOTAL (rows 06 + 11 + 18)	19		10,491,389,589	9,789,374,659
B. CURRENT ASSETS				
II. RECEIVABLES				
1. Trade receivables (acc. 2675 + 2676 + 2678 + 2679 - 2966 - 2969 + 4092 + 411 + 413 + 418 - 491)	24		1,712	29,531
4. Other receivables (acc. 425 + 4282 + 431 + 437 + 4382 + 441 + 4424 + 4428 + 444 + 445 + 446 + 447 + 4482 + 4582 + 461 + 473 - 496 + 5187)	27		2,907,389	3,202,261
TOTAL: (rows 24 to 28)	29		2,909,101	3,231,792
III. SHORT TERM INVESTMENTS				
2. Other short term investments (acc. 5031 + 5032 + 505 + 5061 + 5062 + 5071 + 5072 + 5081 + 5082 + 5088 + 5089 - 593 - 595 - 596 - 597 - 598 + 5113 + 5114)	31		213,635,521	893,679,360
TOTAL: (rows 30 to 31)	32		213,635,521	893,679,360

	Row	Note	Balance	
			1 January 2014 Audited	30 September 2014 Unaudited
	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	334,225,467
CURRENT ASSETS - TOTAL	34		454,118,237	1,231,136,619
(rows 23 + 29 + 32 + 33)				
C. PREPAID EXPENSES	35		43,882	100,950
(acc. 471)				
D. PAYABLES WITHIN ONE YEAR				
4. Trade payables (acc. 401 + 404 + 408)	39		17,189,337	14,509,128
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	35,588,696
TOTAL: (rows 36 to 43)	44		31,164,171	50,097,824
E. NET CURRENT ASSETS OR NET CURRENT LIABILITIES	45		422,997,948	1,181,139,745
(rows 34 + 35 - 44 - 60.2)				
F. TOTAL ASSETS LESS CURRENT LIABILITIES (rows 19 + 45)	46		10,914,387,537	10,970,514,404
H. PROVISIONS				
2. Provisions for taxes (acc. 1516)	57		18,222,179	3,688,260
3. Other provisions				
(acc. 1511+1512+1513+1514+1518)	58		11,104,066	11,334,363
TOTAL PROVISIONS (rows 56 +57 + 58)	59		29,326,245	15,022,623
J. SHARE CAPITAL AND RESERVES				
I. SHARE CAPITAL (rows 62 to 63)	61		13,778,392,208	11,815,279,887
out of which:				
- subscribed unpaid share capital				
(acc. 1011)	62		365,254,622	345,623,073
- subscribed paid in capital (acc. 1012)	63		13,413,137,586	11,469,656,814
IV. RESERVES (rows 68-69+70+71+72+73+74)	67		(2,531,739,371)	(2,374,365,963)
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	2,969,419,539
4. Reserves for financial assets received free of charge (acc.1065)	71		25,630,909	36,332,591
7. Other reserves (acc.1068)	74		120,299,556	366,461,791
TREASURY SHARES (acc.109 - <i>debit balance</i>)	75		1,095,093,250	203,452,978
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	984,529,130
Profit allocation (acc. 129 - <i>debit balance</i>)	82		34,107,720	-
TOTAL SHAREHOLDERS' EQUITY	83		10,885,061,292	10,955,491,781
(rows 61 + 64 + 65 - 66 + 67 -75+76-77+78 -79+80-81-82)				

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

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

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

A	Row	Note	Period ended	
			30 September 2013 Unaudited	30 September 2014 Unaudited
	B		1	2
A. REVENUES FROM CURRENT ACTIVITY – TOTAL				
(rows 02 to 11)	01		924,586,980	1,699,425,039
1. Revenues from financial assets (acc. 761)	02		619,767,993	669,786,503
4. Revenues from disposal of financial assets (acc.758(part)+764)	05		247,995,509	979,130,301
6. Revenues from provisions, receivables previously written off and sundry debtors (acc.754+781+786)	07		24,608,245	30,215,575
7. Revenues from foreign exchange differences (acc.765)	08		123,189	1,420,197
8. Interest income (acc.766)	09		31,110,372	16,762,052
10. Other income from current activity (acc. 705+706+708+741+758(part)+767+768 +7815)	11		981,672	2,110,411
B. EXPENSES FROM CURRENT ACTIVITY – TOTAL				
(rows 13 to 20)	12		389,384,165	690,937,477
12. Expenses from disposal of financial assets (acc. 658(part) +664)	14		319,098,903	605,613,976
13. Expenses from foreign exchange differences (acc. 665)	15		123,400	2,238,934
15. Commissions and fees (acc.622)	17		15,674,687	23,087,069
16. Expenses for bank services and similar expenses (acc.627)	18		65,885	78,496
17. Depreciation and amortization, provisions, losses from receivables and sundry debtors (acc. 654 + 681 + 686)	19		12,694,686	2,129,680
18. Other expenses from current activity (rows 21+22+23+26+27)	20		41,726,604	57,789,322
c. Salary expenses (rows 24+25), of which:	23		676,255	817,650
c1. Salaries (acc.621+641+642 +644)	24		554,052	675,000
c2. Social security contributions (acc. 645)	25		122,203	142,650
d. Third party expenses (acc.611+612+613+614+623+624+625+626+628+658(part)+ 667 +668)	26		40,734,358	55,426,642
e. Other taxes, duties and similar expenses (acc. 635)	27		315,991	1,545,030
C. CURRENT RESULT				
- Profit (row 01 - 12)	28		535,202,815	1,008,487,562
19. TOTAL REVENUE (rows 01+30)	34		924,586,980	1,699,425,039
20. TOTAL EXPENSES (rows 12+31)	35		389,384,165	690,937,477
G. GROSS PROFIT:				
- Profit (row 34 - 35)	36		535,202,815	1,008,487,562
21. INCOME TAX EXPENSE				
- Income tax expense (acc.691)	38		-	23,958,432
H. RESULT FOR THE YEAR				
- Profit (row 36-38-39)	40		535,202,815	984,529,130

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.
INFORMATIVE DATA
AS AT 30 SEPTEMBER 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
A	B	1	2
Units that incurred profit	01	1	984,529,130

II. Data regarding the overdue payments	No row	Total Col.2+3	Of which:	
A	B	1	For the current activity 2	For the investment activity 3
Overdue Liabilities-total (row 05+09+15 to 19+23), of which:	04	50,727	50,727	-
Overdue Suppliers – total (row 06 to 08), of which:	05	50,727	50,727	-
- over 90 days	07	50,727	50,727	-

IV. Interest, dividends and royalties paid during the reporting period. Subsidies collected and overdue receivables	No row	Amounts 1
A	B	1
Gross dividends income paid to non-resident individuals, of which:	34	787,645
- 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	175,052
Gross services income paid to non-residents, of which:	53	8,147,083
- taxes owed to the state budget	54	1,383,213
Gross services income paid to non-residents in EU member states, of which:	55	8,141,810
- taxes owed to the state budget	56	1,383,213

VIII. Other information	No row	30 September 2013	30 September 2014
A	B	1	2
Financial assets, gross values (row 75+ 84), of which:	74	13,577,130,042	12,764,924,086
Shares held in subsidiaries, investments in associates, other non-current investments and bonds, gross values (row 76 to 83), of which:	75	13,577,130,042	12,764,924,086
- listed shares issued by residents	76	6,618,852,168	7,441,759,326
- unlisted shares issued by residents	77	6,742,634,985	5,323,164,760
- 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	9,757	29,304
- trade receivables not collected in due time (from account 4092 + from account 411 + from account 413)	89	9,757	-
Receivables from social security and state budget (account 431 + 437 + 4382 + 441 + 4424 + 4428 + 444 + 445 + 446 + 447 + 4482), (row 92 to 96), of which:	91	475,225	83,593
- 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	45,288
Other receivables (account 452 + 456 + 4582 + 461 + 471 + 473), of which:	99	50,315,946	4,110,457
- settlements related to equity, settlements with shareholders related to share capital, settlement related to joint ventures (from account 452 + 456 + 4582)	100	13,828,455	-
- other receivables from individuals and legal entities, other than receivables from public institutions, (from account 461 + from account 471 + from account 473)	101	36,487,491	4,110,457
Interest receivable (account 5187), of which	103	624,228	132,783
- 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	482,054,945	893,679,360
- treasury bonds issued by residents	110	482,054,945	893,679,360
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	365,371,058	334,225,429
- in RON (account 5121), of which:	121	365,370,370	334,221,456
Bank accounts in RON opened with non-residents banks	122	-	-
- in currency (account 5124), of which:	123	688	3,973
Bank accounts in currency opened with non-residents banks	124	-	-

VIII. Other information (continued)	No row	30 September 2013	30 September 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	32,784,630	50,097,824
Trade payables, advances from clients and other similar accounts, gross values (account 401 + 403 + 404 + 405 + 408 + 419), of which:	164	11,467,514	14,509,128
- 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	-	50,727
Liabilities to employees and similar accounts (account 421 + 423 + 424 + 426 + 427 + 4281)	166	54,635	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	1,593,913	10,259,803
- liabilities to social securities (account 431 + 437 + 4381)	168	25,420	26,005
- fiscal liabilities to state budget (account 441 + 4423 + 4428 + 444 + 446)	169	1,568,493	10,233,798
Other liabilities (account 452 + 456 + 457 + 4581 + 462 + 472 + 473 + 269 + 509),	174	19,668,568	25,274,423
- settlements from equity investments, settlements with shareholders related to share capital, settlement related to joint ventures (from account 452 + 456 + 457 + 4581)	175	19,668,568	25,274,423
Subscribed paid in share capital (account 1012), (row 183 to 186), of which:	182	13,413,137,586	11,469,656,814
- listed shares	183	13,413,137,586	11,469,656,814
Brevets and licences (from account 205)	187	5,139	5,139

IX. Subscribed paid in share capital	Nr. rd.	30 September 2013		30 September 2014			
		A	B	1		2	
				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%	11,469,656,814	100.00%		
- share capital owned by public institutions, of which:	189	3,253,221	0.02%	4,472,431	0.04%		
-public institution with Central subordination	190	3,253,221	0.02%	4,472,431	0.04%		
- owned by companies with private capital	196	9,267,965,218	69.10%	8,118,741,246	70.78%		
- owned by individuals	197	3,836,367,392	28.60%	3,077,777,957	26.84%		
- owned by other entities	198	305,551,755	2.28%	268,665,180	2.34%		

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 SEPTEMBER 2014 PREPARED IN ACCORDANCE WITH CNVM REGULATION NO 4/2010 (ANNEX NO. 4)

Item	31 December 2013				30 September 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	100.4428%	100.0000%		14,768,518,296.11	(305,714,199.79)	
1. Securities and money market instruments, out of which*:	55.4689%	55.2463%		8,327,957,037.42	51.0636%	50.8386%		7,508,097,472.01	(819,859,565.41)	
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	51.0636%	50.8386%		7,508,097,472.01	(696,965,796.46)	
1.1.1 listed shares traded in the last trading 30 days	54.0258%	53.8089%		8,111,288,173.86	49.5921%	49.3735%		7,291,726,118.73	(819,562,055.13)	
1.1.2 listed shares not traded in the last trading 30 days	0.0667%	0.0665%		10,026,949.09	0.0583%	0.0581%		8,576,748.40	(1,450,200.69)	
1.1.3 Government bonds	0.5578%	0.5556%		83,748,145.52	1.4132%	1.4070%		207,794,604.88	124,046,459.36	
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	0.8185%	0.8153%	EUR 27,402,896.28	122,893,768.95	-	-		-	(122,893,768.95)	
1.2.1 listed shares traded in the last trading 30 days	0.8185%	0.8153%	EUR 27,402,896.28	122,893,768.95	-	-		-	(122,893,768.95)	
1.2.2 listed shares not traded in the last trading 30 days	-	-	-	-	-	-		-	-	
1.3. securities and money market instruments admitted on a stock exchange from a state not a member or negotiates on another regulated market from a state not a member, that operates on a regular basis and is recognized and opened to the public, approved by the FSA.	-	-	-	-	-	-		-	-	
2. New issued securities	-	-	-	-	-	-		-	-	
3. Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	42.4618%	42.2914%		6,375,101,372.72	42.4141%	42.2272%		6,236,297,417.95	(138,803,954.77)	
- shares not admitted at trading	42.4618%	42.2914%		6,375,101,372.72	42.4141%	42.2272%		6,236,297,417.95	(138,803,954.77)	
4. Bank deposits, out of which:	1.5459%	1.5398%		232,110,012.77	2.2664%	2.2563%		333,238,652.58	101,128,639.81	
4.1. bank deposits made with credit institutions from Romania	1.5459%	1.5398%		232,110,012.77	2.2664%	2.2563%		333,238,652.58	101,128,639.81	
- in lei	1.5459%	1.5398%		232,110,012.77	2.2664%	2.2563%		333,238,652.58	101,128,639.81	
- in euro	-	-		-	-	-		-	-	
4.2. bank deposits made with credit institutions from an EU state	-	-		-	-	-		-	-	
4.3. bank deposits made with credit institutions from an non-EU state	-	-		-	-	-		-	-	
5. Derivatives financial instruments traded on a regulated market	-	-		-	-	-		-	-	
6. Current accounts and petty cash out of which:	0.0370%	0.0368%		5,552,476.95	0.0076%	0.0076%		1,119,596.19	(4,432,880.76)	
- in lei	0.0114%	0.0113%		1,706,414.35	0.0076%	0.0076%		1,115,623.45	(590,790.90)	
- in euro	0.0256%	0.0255%	EUR 857,477.41	3,845,528.95	-	-	EUR 633.84	2,796.12	(3,842,732.83)	
- in USD	-	-	USD 115.92	377.33	-	-	USD 55.73	195.16	(182.17)	
- in GBP	-	-	GBP 29.05	156.32	-	-	GBP 172.99	981.46	825.14	
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	4.6647%	4.6443%		685,884,754.89	555,997,379.69	
- Treasury bills with original maturities of less than 1 year	0.8652%	0.8617%		129,887,375.20	4.6647%	4.6443%		685,884,754.89	555,997,379.69	
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	0.0264%	0.0260%		3,880,402.49	256,181.65	
- receivables related to transactions under settlement	0.0087%	0.0087%	EUR 290,806.08	1,304,178.03	0.0134%	0.0133%		1,964,665.52	660,487.49	
- dividend withholding tax to be recovered from Austrian Tax Authorities	0.0069%	0.0069%	EUR 231,495.58	1,038,188.23	0.0069%	0.0069%	EUR 231,495.58	1,021,219.60	(16,968.63)	
- tax on dividends to be recovered from the State Budget	-	-	-	-	0.0003%	0.0003%		45,288.00	45,288.00	
- tax on profit to be recovered from the State Budget	0.0029%	0.0029%	-	436,920.00	0.0000%	0.0000%		-	(436,920.00)	
- intangible assets	0.0051%	0.0050%	-	760,113.40	0.0046%	0.0043%		680,443.40	(79,670.00)	
- other receivables	0.0003%	0.0002%	-	40,939.63	0.0005%	0.0005%		67,835.73	26,896.10	
- prepaid expenses	0.0003%	0.0003%	-	43,881.55	0.0007%	0.0007%		100,950.24	57,068.69	
II. Total liabilities	0.4029%	0.4012%		60,490,414.16	0.4428%	0.4409%		65,120,445.55	4,630,031.39	
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	0.0966%	0.0961%		14,198,563.34	726,610.74	
2. Liabilities related to the fees payable to the depositary bank	0.0013%	0.0012%		188,217.96	0.0010%	0.0010%		148,982.57	(39,235.39)	
3. Liabilities related to the fees payable to intermediaries	0.0135%	0.0135%		2,027,851.77	-	-		-	(2,027,851.77)	
4. Liabilities related to commissions and other bank services	-	-		-	-	-		-	-	
5. Interest payable	-	-		-	-	-		-	-	
6. Issuance expense	-	-		-	-	-		-	-	
7. Liabilities in relation with the fees/commissions to FSA	0.0084%	0.0084%		1,262,976.63	0.0085%	0.0084%		1,245,012.26	(17,964.37)	
8. Audit fees	-	-		-	-	-		-	-	
9. Other Liabilities, out of which:	0.2900%	0.2887%		43,539,415.20	0.3367%	0.3354%		49,527,887.38	5,988,472.18	
- capital return to be distributed to shareholders	-	-		-	0.1284%	0.1279%		18,885,926.38	18,885,926.38	
- payable dividends	0.0749%	0.0746%		11,250,020.23	0.0434%	0.0433%		6,388,496.19	(4,861,524.04)	
- tax on dividends	0.0095%	0.0094%		1,423,830.00	-	-		-	(1,423,830.00)	
- tax on profit payable to State Budget	-	-		-	0.0610%	0.0608%		8,973,966.00	8,973,966.00	
- provisions for risks and expenses	0.1954%	0.1945%		29,326,244.33	0.1022%	0.1017%		15,022,622.20	(14,303,622.13)	
- salaries and related contributions	0.0002%	0.0002%		35,825.00	0.0005%	0.0005%		80,475.00	44,650.00	
- VAT payable to State Budget	-	-		-	0.0001%	0.0001%		14,819.95	14,819.95	
- other liabilities out of which:	0.0100%	0.0100%		1,503,495.64	0.0011%	0.0011%		161,581.66	(1,341,913.98)	
- in lei	0.0099%	0.0099%		1,488,640.07	0.0008%	0.0008%		110,854.97	(1,377,785.10)	
- in euro	0.0001%	0.0001%	EUR 3,312.50	14,855.57	0.0003%	0.0003%	EUR 11,499.00	50,726.69	35,871.12	
III. Net Asset Value (I - II)	100.0000%	99.5988%		15,013,742,081.74	100.0000%	99.5591%		14,703,397,850.56	(310,344,231.18)	

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

Unitary Net Asset Value

Item	30 September 2014	31 December 2013	Differences
Net Asset Value	14,703,397,850.56	15,013,742,081.74	(310,344,231.18)
Number of outstanding shares	11,820,464,906	12,071,882,101	(251,417,195)
Unitary net asset value	1.2438	1.2436	0.0002

DETAILED STATEMENT OF INVESTMENTS AS AT 30 SEPTEMBER 2014

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

1.1 listed shares traded in the last 30 trading days

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method*
Alcom SA	ALCQ	2/Sep/2014	89,249	2.5	42.5000	3,793,082.50	71.89%	0.0257%	0.0258%	Reference price - Average price
Alro Slatina SA	ALR	26/Sep/2014	72,884,714	0.5	1.2070	87,971,849.80	10.21%	0.5957%	0.5983%	Closing price
Banca Transilvania SA	TLV	30/Sep/2014	75,070,521	1	1.7400	130,622,706.54	2.93%	0.8845%	0.8884%	Closing price
BRD-Groupe Societe Generale SA	BRD	30/Sep/2014	25,387,456	1	8.6950	220,743,929.92	3.64%	1.4947%	1.5013%	Closing price
Conpet SA	COTE	30/Sep/2014	2,571,461	3.3	49.6500	127,673,038.65	29.70%	0.8645%	0.8683%	Closing price
Nuclearelectrica SA	SNN	30/Sep/2014	27,408,381	10	8.2600	226,393,227.06	9.72%	1.5329%	1.5397%	Closing price
Oil Terminal SA	OIL	26/Sep/2014	36,796,026	0.1	0.1013	3,727,437.43	6.31%	0.0252%	0.0254%	Closing price
OMV Petrom SA	SNP	30/Sep/2014	10,758,648,186	0.1	0.4703	5,059,792,241.88	18.99%	34.2607%	34.4124%	Closing price
Palace SA	PACY	15/Sep/2014	5,832,482	0.1	0.3800	2,216,343.16	15.42%	0.0150%	0.0151%	Reference price - Average price
Primcom SA	PRIB	30/Sep/2014	1,427,188	0.1	14.5900	20,822,672.92	68.97%	0.1410%	0.1416%	Reference price - Average price
Romaero SA	RORX	10/Sep/2014	1,311,691	2.5	15.5700	20,423,028.87	20.99%	0.1383%	0.1389%	Reference price - Average price
Romgaz S.A.	SNG	30/Sep/2014	38,542,960	1	36.0000	1,387,546,560.00	10.00%	9.3953%	9.4369%	Closing price
Total						7,291,726,118.73		49.3735%	49.5921%	

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

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

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Comercial Cluj SA	COCL	9/Oct/2013	256,116	2.5	3.8055	974,649.44	11.36%	0.0066%	0.0066%	Shareholders equity/share
Forsev S.A.	FORS	26/Nov/2009	954,376	2.5	6.8071	6,496,532.87	28.14%	0.0440%	0.0442%	Shareholders equity/share
IOR SA	IORB	4/Apr/2014	2,622,273	0.1	0.3300	865,350.09	2.81%	0.0059%	0.0059%	Fair value / share (last trading price)
Mecon SA	MECP	1/Jul/2014	60,054	11.6	4.0000	240,216.00	12.51%	0.0016%	0.0016%	Fair value / share (last trading price)
Romplumb SA	ROMR	5/Oct/2001	1,595,520	2.5	-	-	33.26%	-	-	Priced at zero (company in insolvency)
Total						8,576,748.40		0.0581%	0.0583%	

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%	0.0154%	0.0155%	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%	0.0112%	0.0113%	Unlisted companies, in function	Shareholders equity/share
BAT Service SA	194,022	19/Jul/2005	656,686	-	-	33.00%	-	0.0000%	Dissolution	Priced at zero
Carbid Fox SA	10,191,630	19/Jul/2005	927,357	-	-	7.96%	-	0.0000%	Bankruptcy	Priced at zero
Cetatea SA	354,468	19/Jul/2005	118,840	1.0248	363,258.81	20.43%	0.0025%	0.0025%	Unlisted companies, in function	Shareholders equity/share
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	79.9682	16,246,339.51	20.00%	0.1100%	0.1105%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	128.5194	3,541,223.55	20.00%	0.0240%	0.0241%	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%	0.4711%	0.4732%	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%	1.9478%	1.9564%	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%	0.8124%	0.8160%	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%	0.0104%	0.0105%	Unlisted companies, in function	Shareholders equity/share
E.ON Energie Romania SA	9,903,524	19/Jul/2005	45,765,358	13.2154	130,879,031.07	13.39%	0.8862%	0.8901%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
E.ON Gaz Distributie SA	13,557,204	19/Jul/2005	38,468,154	12.1854	165,199,953.62	12.00%	1.1186%	1.1235%	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%	2.3385%	2.3488%	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%	2.0056%	2.0145%	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%	1.3996%	1.4058%	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%	1.3001%	1.3058%	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%	0.5962%	0.5988%	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%	0.0049%	0.0049%	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%	3.8816%	3.8988%	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%	2.5670%	2.5784%	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%	3.2032%	3.2174%	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%	0.4407%	0.4426%	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%	0.5028%	0.5051%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
FECNE SA	778,442	19/Jul/2005	0	0.0000	0.00	12.12%	0.0000%	0.0000%	Bankruptcy	Priced at zero
GDF Suez Energy Romania	2,381,863	19/Jul/2005	62,522,462	169.7872	404,409,849.55	12.00%	2.7383%	2.7505%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Gerovital Cosmetics SA	1,350,988	19/Jul/2005	340,996	-	-	9.76%	-	-	Dissolution	Priced at zero
Hydroelectrica SA	89,378,101	19/Jul/2005	3,107,666,656	23.5534	2,105,158,164.09	19.94%	14.2544%	14.3175%	Judicial reorganisation	Fair value / share (Value as per independent valuator's report)
Petrotel - Lukoil SA	2,152,291	19/Jul/2005	2,787,316	0.0000	0.00	1.78%	0.0000%	0.0000%	Unlisted companies, in function	Priced at zero (negative equity)
Plafar SA	132,784	28/Jun/2007	3,160,329	36.0990	4,793,369.62	48.99%	0.0325%	0.0326%	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%	0.4116%	0.4134%	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%	0.0737%	0.0740%	Unlisted companies, in function	Shareholders equity/share
Simtex SA	132,859	28/Jun/2007	3,059,858	-	-	30.00%	-	-	Judicial reorganisation	Priced at zero
Societatea Nationala a Sarii SA	2,005,884	28/Jun/2007	76,347,715	56.8799	114,094,481.33	48.99%	0.7726%	0.7760%	Unlisted companies, in function	Fair value (Shareholder equity adjusted with dividends declared/share)
World Trade Center Bucuresti SA	198,860	19/Jul/2005	42,459	-	-	19.90%	-	-	Insolvency	Priced at zero
World Trade Hotel SA	17,912	19/Jul/2005	17,912	-	-	19.90%	-	-	Unlisted companies, in function	Priced at zero (lack of annual financial statements for the year-ended 31 December 2013)
Zirom SA	4,735,921	28/Jun/2007	47,146,452	9.1775	43,463,914.98	100.00%	0.2943%	0.2956%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Total			5,308,942,964		6,236,297,417.95		42.2272%	42.4141%		

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.

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
RO1314CTN0G2	10,200	30/Apr/2014	17/Dec/2014	50,099,872.44	3,896.66	600,085.04	50,699,957.48	0.3433%	0.3448%	Raiffeisen Bank	Acquisition price cumulated with the related interest since the acquisition date
RO1314CTN0G2	10,000	6/Jun/2014	17/Dec/2014	49,387,865.00	3,155.34	369,174.20	49,757,039.20	0.3369%	0.3384%	Banca Comerciala Romana	
RO1314CTN0G2	10,000	23/Jun/2014	17/Dec/2014	49,561,382.00	2,478.07	247,806.78	49,809,188.78	0.3373%	0.3388%	Banca Comerciala Romana	
RO1314CTN0G2	6,000	29/Jul/2014	17/Dec/2014	29,807,370.00	1,366.17	87,434.90	29,894,804.90	0.2024%	0.2033%	Banca Comerciala Romana	
RO1414CTN068	9,130	24/Apr/2014	5/Nov/2014	44,997,844.10	3,414.43	532,650.89	45,530,494.99	0.3083%	0.3097%	BRD Groupe Societe Generale	
RO1414CTN068	10,000	6/Jun/2014	5/Nov/2014	49,529,470.03	3,095.59	362,184.26	49,891,654.29	0.3378%	0.3393%	Banca Comerciala Romana	
RO1414CTN068	10,000	23/Jun/2014	5/Nov/2014	49,627,791.56	2,757.10	275,709.96	49,903,501.52	0.3379%	0.3394%	ING Bank	
RO1414CTN068	8,355	23/Jun/2014	5/Nov/2014	41,489,300.07	2,132.09	211,076.81	41,700,376.88	0.2824%	0.2836%	CITI Bank	
RO1414CTN068	10,000	23/Jun/2014	5/Nov/2014	49,683,269.16	2,346.15	234,615.44	49,917,884.60	0.3380%	0.3395%	Raiffeisen Bank	
RO1414CTN068	10,000	25/Jun/2014	5/Nov/2014	49,666,050.99	2,510.89	246,067.69	49,912,118.68	0.3380%	0.3395%	Raiffeisen Bank	
RO1414CTN068	2,000	29/Jul/2014	5/Nov/2014	9,954,829.96	456.26	29,200.83	9,984,030.79	0.0676%	0.0679%	Banca Comerciala Romana	
RO1414CTN092	8,000	25/Jun/2014	22/Dec/2014	39,633,391.13	2,036.72	199,598.16	39,832,989.29	0.2697%	0.2709%	Banca Comerciala Romana	
RO1414CTN092	1,400	29/Jul/2014	22/Dec/2014	6,953,469.70	318.70	20,396.84	6,973,866.54	0.0472%	0.0474%	Banca Comerciala Romana	
RO1415CTN024	2,187	7/Aug/2014	26/Jan/2015	10,842,298.35	542.11	29,274.21	10,871,572.56	0.0736%	0.0739%	BRD Groupe Societe Generale	
RO1415CTN057	5,000	30/Jul/2014	30/Mar/2015	24,718,687.60	1,167.27	71,203.55	24,789,891.15	0.1679%	0.1686%	Banca Comerciala Romana	
RO1415CTN073	11,866	30/Jul/2014	27/May/2015	58,498,508.44	2,762.43	174,033.12	58,672,541.56	0.3973%	0.3990%	Raiffeisen Bank	
RO1415CTN081	5,600	8/Aug/2014	9/Jun/2015	27,544,934.72	1,492.02	80,568.94	27,625,503.66	0.1871%	0.1879%	Banca Comerciala Romana	
RO1415CTN0B1	8,169	7/Aug/2014	10/Aug/2015	39,998,773.29	2,324.80	118,564.73	40,117,338.02	0.2716%	0.2728%	BRD Groupe Societe Generale	
Total							685,884,754.89	4.6443%	4.6647%		

Government bonds

Issuer	ISIN code	Date of the last trading session	No. of bonds	Date of acquisition	Coupon date	Due Date	Initial Value	Daily interest	Cumulated interest	Cumulated discount	Market price	Current value	Stake in FP total assets	Stake in FP net asset	Evaluation method
Ministry of Finance	RO1015DBN010	9/Sep/2014	3,000	7/Aug/2014	30/Apr/2014	30/Apr/2015	31,365,692.58	4,931.51	759,452.06	-	10,237.43	31,471,742.06	0.2131%	0.2140%	Closing price (Gross price)
Ministry of Finance	RO1114DBN011	28/Jul/2014	4,000	3/Apr/2014	25/Oct/2013	25/Oct/2014	41,853,563.12	6,849.32	2,335,616.44	-	10,102.33	42,744,936.44	0.2894%	0.2907%	
Ministry of Finance	RO1114DBN011	28/Jul/2014	3,000	6/Jun/2014	25/Oct/2013	25/Oct/2014	31,613,946.76	5,136.99	1,751,712.33	-	10,102.33	32,058,702.33	0.2171%	0.2180%	
Ministry of Finance	RO1114DBN011	28/Jul/2014	5,000	25/Jun/2014	25/Oct/2013	25/Oct/2014	52,801,176.90	8,561.65	2,919,520.55	-	10,102.33	53,431,170.55	0.3618%	0.3634%	
Ministry of Finance	RO1114DBN011	28/Jul/2014	4,500	29/Jul/2014	25/Oct/2013	25/Oct/2014	47,634,490.56	7,705.48	2,627,568.50	-	10,102.33	48,088,053.50	0.3256%	0.3271%	
Total												207,794,604.88	1.4070%	1.4132%	

Term deposits

Name of the bank	Starting date	Maturity date	Initial value	Daily Interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Unicredit Tiriac Bank	20/Aug/2014	20/Feb/2015	RON 25,000,000.00	RON 1,076.39	RON 45,208.33	RON 25,045,208.33	0.1696%	0.1703%	Term deposit value cumulated with the related interest
Unicredit Tiriac Bank	23/Sep/2014	3/Oct/2014	RON 55,500,000.00	RON 3,931.25	RON 31,450.00	RON 55,531,450.00	0.3760%	0.3777%	
BRD Groupe Societe Generale	25/Sep/2014	2/Oct/2014	RON 40,500,000.00	RON 2,812.50	RON 16,875.00	RON 40,516,875.00	0.2743%	0.2756%	
CITI Bank	26/Sep/2014	6/Oct/2014	RON 60,600,000.00	RON 4,292.50	RON 21,462.50	RON 60,621,462.50	0.4105%	0.4123%	
Banca Comerciala Romana	29/Sep/2014	7/Oct/2014	RON 56,900,000.00	RON 4,899.72	RON 9,799.44	RON 56,909,799.44	0.3853%	0.3871%	
Unicredit Tiriac Bank	30/Sep/2014	8/Oct/2014	RON 60,900,000.00	RON 5,075.00	RON 5,075.00	RON 60,905,075.00	0.4124%	0.4142%	
BRD Groupe Societe Generale	30/Sep/2014	1/Oct/2014	RON 9,384,547.28	RON 716.88	RON 716.88	RON 9,385,264.16	0.0635%	0.0638%	
BRD Groupe Societe Generale	30/Sep/2014	1/Oct/2014	RON 24,321,322.48	RON 2,195.67	RON 2,195.67	RON 24,323,518.15	0.1647%	0.1654%	
TOTAL						333,238,652.58	2.2563%	2.2664%	

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 September 2014
Net Asset	14,979,202,005.64	15,013,742,081.74	14,703,397,850.56
NAV/share	1.1371	1.2436	1.2438

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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

Prepared in accordance with IAS 34 Interim Financial Reporting

Contents

Condensed Statement of Comprehensive Income	40
Condensed Statement of Financial Position	41
Condensed Statement of Changes in Shareholders' Equity	42
Condensed Statement of Cash Flows	44
Notes to the Condensed Interim Financial Statements	45

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

	<i>Note</i>	9 months ended 30 September 2014	9 months ended 30 September 2013 (restated)
Gross dividend income	5	675,092,766	622,448,470
Net gain from equity instruments at fair value through profit or loss	7	33,730,520	78,811,580
Interest income		16,762,052	31,110,372
Reversal of impairment losses on receivables, net		19,631,431	14,317,301
Other income, net		-	416,894
Total revenue		745,216,769	747,104,617
Operating expenses	6	(77,873,921)	(58,680,806)
Net foreign exchange losses		(818,736)	(212)
Other expenses, net		(1,834,040)	-
Total expenses		(80,526,697)	(58,681,018)
Profit before income tax		664,690,072	688,423,599
Income tax expense	8	(29,606,883)	(12,094,945)
Profit of the period		635,083,189	676,328,654
Basic and diluted earnings per share		0.0468	0.0491

The financial statements were authorised for issue on 12 November 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 45 to 67 are an integral part of these financial statements.

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

	<i>Note</i>	30 September 2014	31 December 2013
			(restated)
Assets			
Cash and current accounts		1,119,597	5,552,477
Deposits with banks		333,238,653	232,110,013
Treasury bills		685,884,755	129,887,375
Government bonds		207,794,605	83,748,146
Equity investments at fair value through profit or loss	9	13,530,771,156	14,478,487,422
Deferred tax assets	10	-	342,189
Other assets		3,880,403	3,624,221
Total assets		14,762,689,169	14,933,751,843
Liabilities			
Payable to shareholders related to the return of capital	12	18,885,927	-
Other liabilities	11	42,546,260	42,268,236
Total liabilities		61,432,187	42,268,236
Equity			
Share capital	12	11,815,279,887	13,778,392,208
Other reserves		558,720,986	312,558,751
Treasury shares	12	(203,452,978)	(1,095,093,250)
Retained earnings		2,530,709,087	1,895,625,898
Total equity		14,701,256,982	14,891,483,607
Total liabilities and equity		14,762,689,169	14,933,751,843

The notes on pages 45 to 67 are an integral part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 30 SEPTEMBER 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	-	-	-	-	676,328,654	676,328,654
Transactions with owners, recorded directly in equity						
Acquisition of treasury shares	-	-	-	(213,501,551)	-	(213,501,551)
Dividends declared	-	-	-	-	(536,437,205)	(536,437,205)
Total transactions with owners recorded directly in equity	-	-	-	(213,501,551)	(536,437,205)	(749,938,756)
Balance at 30 September 2013	13,778,392,208	-	278,451,031	(333,770,134)	1,084,333,646	14,807,406,751

The notes on pages 45 to 67 are an integral part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 30 SEPTEMBER 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	-	-	-	-	635,083,189	635,083,189
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	-	-	-	(205,784,683)	-	(205,784,683)
Cancellation of treasury shares	(1,286,207,951)	-	246,162,235	1,040,045,716	-	-
Total transactions with owners recorded directly in equity	(1,963,112,321)	-	246,162,235	891,640,272	-	(825,309,814)
Balance at 30 September 2014	11,815,279,887	-	558,720,986	(203,452,978)	2,530,709,087	14,701,256,982

The notes on pages 45 to 67 are an integral part of these financial statements.

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

	9 months ended 30 September 2014	9 months ended 30 September 2013
Cash flows from operating activities		
Proceeds from sale of equity instruments	978,451,705	247,832,339
Acquisitions of treasury bills and bonds	(1,361,207,874)	(949,060,563)
Disposals and maturity of treasury bills and bonds	682,387,206	925,766,538
Dividends received (net of withholding tax)	669,796,058	632,162,419
Interest received	12,219,073	27,502,093
Suppliers and other taxes and fees paid	(79,361,920)	(55,230,142)
Income tax paid	(14,547,546)	-
Remunerations and related taxes paid	(773,000)	(642,563)
Realised foreign exchange loss on cash and cash equivalents	(938,466)	(2,269)
Subscriptions to share capital increase of portfolio companies	-	(42,713,841)
Other receipts	3,775,341	1,145,832
Net cash flows from operating activities	889,800,577	786,759,843
Cash flows from financing activities		
Return of capital to shareholders	(582,439,925)	-
Acquisition of treasury shares	(205,783,760)	(213,501,551)
Dividends paid (including related taxes)	(4,925,040)	(525,772,376)
Net cash flows used in financing activities	(793,148,725)	(739,273,927)
Net decrease in cash and cash equivalents	96,651,852	47,485,916
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	334,225,467	365,371,887
	30 September 2014	30 September 2013
Cash	1,119,597	2,326,883
Bank deposits with original maturities of less than three months	333,105,870	363,045,004
	334,225,467	365,371,887

The notes on pages 45 to 67 are an integral part of these financial statements.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 nine month period ended 30 September 2014 are not audited.

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements for the nine month period ended 30 September 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 9 – Equity investments;
- Note 10 – Deferred tax assets;
- Note 11 – Other liabilities;
- Note 13 – 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 nine-month period ended 30 September 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 September 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014
(all amounts are in RON unless otherwise stated)**

3. Significant accounting policies (continued)

Statement of comprehensive income

	9 months ended 30 September 2013 As previously reported (in separate financial statements)	Adjustments	9 months ended 30 September 2013 As restated
Gross dividend income	622,448,470	-	622,448,470
Net gain from equity instruments at fair value through profit or loss	-	78,931,418	78,931,418
Interest income	31,110,372	-	31,110,372
Reversal of impairment losses on receivables in respect of equity contributions	357,420	-	357,420
Gain on disposal of equity investments	131,772,460	(131,772,460)	-
Reversal of impairment losses on dividends receivable	23,543,976	-	23,543,976
Impairment losses on equity investments	(305,472,325)	305,472,325	-
Impairment losses on other assets	(9,584,094)	-	(9,584,094)
Net foreign exchange losses	(212)	-	(212)
Other operating income	981,672	-	981,672
Net operating income	495,157,739	252,631,283	747,789,022
Personnel expenses	(676,255)	-	(676,255)
Other operating expenses	(58,477,559)	(211,609)	(58,689,168)
Operating expenses	(59,153,814)	(211,609)	(59,365,423)
Profit before income tax	436,003,925	252,419,674	688,423,599
Income tax expense	3,286,394	(15,381,339)	(12,094,945)
Profit for the period	439,290,319	237,038,335	676,328,654
Other comprehensive income			
Net change in fair value of available-for-sale equity investments	168,569,723	(168,569,723)	-
Deferred tax on other comprehensive income	(26,971,156)	26,971,156	-
Decrease in fair value reserve following the disposal of available-for-sale equity investments	(131,280,494)	131,280,494	-
Total other comprehensive income	10,318,073	(10,318,073)	-
Total comprehensive income for the period	449,608,392	226,720,262	676,328,654
Basic and diluted earnings per share	0.0319		0.0491

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 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
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014**
(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 September 2014							
Cash and current accounts	1,119,597	-	-	-	-	1,119,597	1,119,597
Deposits with banks	333,238,653	-	-	-	-	333,238,653	333,238,653
Treasury bills	-	-	685,884,755	-	-	685,884,755	685,884,755
Government bonds	-	-	207,794,605	-	-	207,794,605	207,794,605
Equity investments	-	-	-	13,530,771,156	-	13,530,771,156	13,530,771,156
Other receivables	3,880,403	-	-	-	-	3,880,403	3,880,403
Payable to shareholders related to the return of capital	-	-	-	-	(18,885,927)	(18,885,927)	(18,885,927)
Other liabilities	-	-	-	-	(42,546,260)	(42,546,260)	(42,546,260)
	338,238,653	-	893,679,360	13,530,771,156	(61,432,187)	14,701,256,982	14,701,256,982

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

5. Gross dividend income

	9 months ended 30 September 2014	9 months ended 30 September 2013
OMV Petrom SA	331,366,364	318,951,645
Romgaz SA	148,525,046	158,941,766
GDF Suez Energy Romania SA	33,600,000	22,800,000
Nuclearelectrica SA	33,164,141	2,769,286
Electrica Distributie Muntenia Nord SA	23,212,248	16,206,229
Transelectrica SA	22,046,532	3,997,666
Societatea Nationala a Sarii SA	19,808,540	9,297,643
Electrica Furnizare SA	19,637,608	9,260,589
Electrica Distributie Transilvania Sud SA	12,733,949	-
Electrica Distributie Transilvania Nord SA	11,666,197	-
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
Raiffeisen Bank International AG	-	4,433,195
Aeroportul International Timisoara - Traian Vuia SA	-	672,674
Others	264,214	1,484,662
	675,092,766	622,448,470

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 one year (2013- two years) prior to the dividend distribution, no withholding tax was due.

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

6. Operating expenses

	9 months ended 30 September 2014	9 months ended 30 September 2013
Investment management and administration fees	40,414,825	31,801,365
Financial Supervisory Authority monthly fees	11,087,081	11,354,608
Depositary fee	1,382,155	1,345,230
Intermediaries fees related to disposal of portfolio holdings	8,060,583	1,980,607
Other fees related to disposal of portfolio holdings	1,739,376	579,670
Board of Nominees remuneration and related taxes	817,650	676,255
Third party services	11,791,963	8,273,848
Other operating expenses	2,580,288	2,669,223
	<u>77,873,921</u>	<u>58,680,806</u>

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

	9 months ended 30 September 2014	9 months ended 30 September 2013
Realised net gain / (loss) from equity instruments	31,754,590	(24,303,368)
Unrealised net gain / (loss) from equity instruments	1,975,930	103,114,948
Total	<u>33,730,520</u>	<u>78,811,580</u>

Realised net gain / (loss) from equity investments 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 investments by reference to the historical cost, this would be RON 373,915,412 (nine month period ended 30 September 2013: a net loss of RON 71,011,624).

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

8. Income tax

	9 months ended 30 September 2014	9 months ended 30 September 2013
Current tax expense		
Current tax (16%)	(23,958,432)	-
Dividend withholding tax	(5,306,263)	(2,680,476)
	<u>(29,264,695)</u>	<u>(2,680,476)</u>
Deferred tax related to:		
Equity investments	-	(23,971,712)
Fiscal loss carried forward/ (used)	(342,188)	14,557,243
	<u>(342,188)</u>	<u>(9,414,469)</u>
Income tax expense	<u><u>(29,606,883)</u></u>	<u><u>(12,094,945)</u></u>

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

	9 months ended 30 September 2014	9 months ended 30 September 2013
Reconciliation of effective tax rate		
Profit for the period	635,083,189	676,328,654
Income tax expense	(29,606,883)	(12,094,945)
Profit excluding income tax	<u>664,690,072</u>	<u>688,423,599</u>
Income tax using the standard tax rate (16%)	(106,350,412)	(110,147,776)
Effect of:		
Lower tax rate on dividend income	98,209,649	96,360,017
Gain on cancellation of treasury shares (taxable equity item)	(39,385,958)	-
Decrease of the nominal value of the treasury shares (taxable equity item)	(373,073)	-
Non-taxable income	140,553,600	3,824,226
Non-deductible expenses	(68,729,516)	(1,875,223)
Impact of non-recognition of deferred tax on change in fair value of equity investments	(53,531,173)	-
Austrian dividend withholding tax non deductible from fiscal point of view	-	(256,189)
Income tax expense	<u><u>(29,606,883)</u></u>	<u><u>(12,094,945)</u></u>

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

8. Income tax (continued)

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 September 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.

9. 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 September 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 movement in the carrying amounts of equity investments is as follows:

	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	42,713,841
Disposals	(272,179,039)
Net gain from measurement at fair value through profit or loss	103,114,948
30 September 2013	14,114,184,918
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	1,432,270
Disposals	(947,375,713)
Return of share capital of portfolio companies	(3,748,753)
Net gain from measurement at fair value through profit or loss	1,975,930
30 September 2014	13,530,771,156

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

9. Equity investments (continued)

During the nine-month period ended 30 September 2014, the Fund sold its entire holdings in Erste Group Bank, Raiffeisen Bank, Resib SA, Turdapan SA, Transelectrica SA, Transilvania-Com SA, Severnav 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.

During the nine-month period of 2014, the Fund received 116,323 shares in Hidroelectrica SA (having a nominal value of RON 1,163,230) 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.

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 was sent back to the syndic judge for a retrial. As a consequence, the company was placed back under the reorganization procedure and the former judicial administrator was reinstated with an immediate effect.
- Cancelled and sent back to the syndic judge for retrial, few other cases related to the force majeure clause in 2011 and table of creditors.

The Fund's equity portfolio detail was the following:

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

9. Equity investments (continued)

	30 September 2014	31 December 2013
Equity investments at fair value through profit and loss		
OMV Petrom S.A.	5,059,792,242	5,054,412,918
Hidroelectrica S.A.	2,105,161,000	2,105,161,000
Romgaz S.A.	1,387,546,560	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 S.A.	296,200,000	296,200,000
CN Aeroporturi Bucuresti S.A.	287,654,000	287,654,000
Nuclearelectrica S.A.	226,393,227	306,699,783
BRD - Groupe Societe Generale S.A.	220,743,930	228,487,104
Electrica Distributie Transilvania Nord S.A.	206,700,000	206,700,000
Electrica Distributie Transilvania Sud S.A.	192,000,000	192,000,000
E.ON Gaz Distributie S.A.	165,200,000	165,200,000
E.ON Energie Romania S.A .	130,880,000	65,130,526
Banca Transilvania S.A.	130,622,707	106,793,311
Conpet S.A.	127,673,039	115,715,745
Complexul Energetic Oltenia S.A.	119,981,000	321,644,000
Societatea Nationala a Sarii S.A.	114,094,481	106,349,362
Electrica Furnizare S.A.	88,050,000	-
Alro Slatina S.A.	87,971,850	105,464,181
Enel Energie S.A.	74,260,000	54,293,064
Administratia Porturilor Maritime S.A.	69,578,461	66,404,813
Enel Energie Muntenia S.A.	65,080,000	45,871,977
Posta Romana S.A.	60,790,000	60,790,000
Zirom S.A.	43,464,000	43,464,000
Transelectrica S.A.	-	156,245,397
Erste Group Bank AG	-	45,100,460
Raiffeisen Bank International AG	-	77,793,309
Other	95,735,660	114,011,498
Total	13,530,771,156	14,478,487,422

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

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

9. 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 September 2014:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value through profit and loss	7,244,470,991	-	6,286,300,165	13,530,771,156
Treasury bills	685,884,755	-	-	685,884,755
Government bonds	207,794,605	-	-	207,794,605
	8,138,150,351	-	6,286,300,165	14,424,450,516

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 September 2014, as they are presented in these condensed interim financial statements.

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

9. 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.

10. Deferred tax assets

	30 September 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 September 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 September 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.

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

11. Other liabilities

	30 September 2014	31 December 2013
Investment Management and Administration fees	14,198,563	13,471,953
Provision for litigations	11,334,363	11,104,066
Income tax payable to the State Budget	8,973,966	-
Dividends payable	6,388,496	11,250,020
Financial Supervisory Authority fees	1,245,012	1,262,977
Tax on dividends	-	1,423,830
Other liabilities	405,860	3,755,390
	42,546,260	42,268,236

12. Shareholders' equity

(a) Share capital

As at 30 September 2014, the authorised and issued share capital comprised 12,437,136,723 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 363,813,761 shares were unpaid (31 December 2013: 365,254,622 unpaid shares).

In February 2014, the paid-up share capital of the Fund decreased by RON 240,304,801 following the cancellation of 240,304,801 treasury shares (having a nominal value of RON 1 per share) acquired by the Fund in the first buy-back programme carried on in 2011.

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.

In September 2014, the paid-up share capital of the Fund decreased by RON 1,045,903,150 following the cancellation of 1,100,950,684 treasury shares (having a nominal value of RON 0.95 per share) acquired by the Fund during the second buy-back programme carried on in 2013.

During the nine months of 2014, the paid-up share capital of the Fund increased by RON 1,432,269 due to the receipt by the Fund of 26,904 shares in Complexul Energetic Oltenia SA and of 116,323 shares in Hidroelectrica following the share capital increase of these companies, recorded as contribution in kind from the Romanian State to the share capital of the Fund.

Following all these changes, the paid-up capital of the Fund decreased from RON 13,413,137,586 to RON 11,469,656,813.90 (divided in 12,073,322,962 shares with a nominal value of RON 0.95 per share) and the subscribed share capital of the Fund decreased from RON 13,778,392,208 to RON 11,815,279,886.85 (divided in 12,437,136,723 shares with a nominal value of RON 0.95 per share).

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 or other distributions.

As at 30 September 2014, the Romanian State's share in Fund's issued capital was 2.96% (31 December 2013: 2.67%) out of which only 0.04% (31 December 2013: 0.03%) was paid.

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

12. 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 approved a second buyback programme the Fund Manager being authorised to repurchase a maximum number of 1.1 billion shares with a price range of RON 0.2 per share to RON 1.5 per share. 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. The cancellation of the shares acquired within the second buyback programme through the decrease of the subscribed share capital of the Fund was endorsed by FSA on 25 September 2014 and was effective on 26 September 2014.

At the General Shareholders Meeting in November 2013, the shareholders approved a third buyback programme: the Fund Manager was authorised to repurchase a maximum number of 252,858,056 shares or 1.89% of the paid-up share capital, within 18 months 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 by 23 July 2014 the Fund had acquired all the 252,858,056 shares at a total acquisition value, including transaction costs of RON 205,784,683. At the 23 September 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 third buy-back programme.

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. The execution of this buy-back programme started on 1 October 2014 and can be performed within 18 months of the date when the shareholders' resolution is published in the Romanian Official Gazette, respectively until 27 November 2015. 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.

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

12. 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 and by 30 September 2014, shareholders had collected over 96% of this distribution (respectively RON 582,439,925).

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

13. Contingencies

As at 30 September 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 changes and versions of the Constitutive Act were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM, the 23 November 2012 GSM, the 25 April 2013 GSM, the 22 November 2013 GSM, 3 February 2014 GSM, 28 April 2014 GSM and 23 September 2014 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, 28 April 2014 GSM, and 23 September 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.

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

13. 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 September 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 28 November 2014.

Currently, World Trade Center Bucharest SA is the object of insolvency procedure, the next hearing being set for 19 November 2014.

14. Related parties

(a) Key management

	9 months ended 30 September 2014	9 months ended 30 September 2013
Remunerations		
Members of the Board of Nominees	675,000	554,052

There were no loans to or other transactions between the Fund and its management in 2013 and in the first nine 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	9 months ended 30 September 2014	9 months ended 30 September 2013
Investment management and administration fees	40,414,825	31,801,365
Rental expense	69,537	77,954
Operating cost	17,770	21,057
	40,502,132	31,900,376

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

14. Related parties (continued)

During the first nine months of 2014, the Fund recorded also an amount of RON 1,587,948 representing expenses incurred by the Fund Manager on its behalf (30 September 2013: RON 905,836). 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 September 2014, the Fund owed an amount of RON 14,198,563 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 September 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 nine-month period of 2014 and 2013, the Fund did not carry out any transaction with its subsidiaries, except that in January 2014, Primcom SA performed a capital return to its shareholders following the decrease of its share capital by reducing the nominal value of the shares from RON 2.5 to RON 0.1 and in June 2014, the Fund sold part of its holding in Primcom SA in a buyback programme carried out by this company.

(c) Associates

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

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

During the nine-month period of 2014, the Fund recorded and received from OMV Petrom SA a dividend of RON 331,366,364 (30 September 2013: RON 318,951,645).

15. Subsequent events

19 November 2014 General Shareholders Meeting

On 25 September 2014 the Fund Manager convened a General Shareholders' Meeting for 19 November 2014 including the following main items on the agenda:

- The approval of some changes of the Constitutive Act;
 - The approval of a new buy-back programme for a maximum number of 227,572,250 shares;
 - The ratification and approval of all previous Extraordinary General Shareholders' Meetings ("EGM") and Ordinary General Shareholders' Meetings ("OGM") decisions;
 - The approval of 2015 Fund's budget;
 - The approval of the financial auditor;
 - The appointment of three members of the Board of Nominees following the expiration of three mandates in April 2015;
- The approval of engaging independent valuers for performing valuation services on certain holdings of Fondul Proprietatea in both listed and unlisted portfolio companies;

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

15. Subsequent events (continued)

Updates on the Fourth Buy-Back Programme

On 1 October, the Fund started the 4th buy-back. By the date of this report, the Fund repurchased 36.35 million shares.

On 20 October, the Fund filed with the FSA an application for a buy-back tender offer to accelerate the fourth buy-back programme by acquiring 750 million shares from the Fund's shareholders.

On 28 October 2014 the Financial Supervisory Authority approved the Fund's application for a Public Tender Offer and the key details of the Offer are as follows:

- Number of shares to be repurchased: 750,000,000 representing 6.0303% of the share capital as registered at the Trade Registry;
- Nominal value: 0.95 RON/share;
- Purchase price: 1.11 RON/share;
- Subscription period: 3 November – 2 December 2014;
- Allocation method: pro-rata;
- Intermediary of the offer: Raiffeisen Bank S.A;
- Subscription locations: at the office of Raiffeisen Bank S.A, at Calea Floreasca 246D, Office Building, 1st District, Bucharest, postal code 014476, during its regular working hours of each working day within the Offer Period, from Monday to Friday; and at the registered office of other intermediaries authorized by the FSA, who have signed and submitted with the Intermediary the letter of engagement to abide by the terms and conditions of the Public Offer (hereinafter called "Letter of Engagement") and who was granted access to the market segment of the BVB used for the Public Offer, during the regular working hours of the respective intermediary of each working day within the Offer Period, from Monday to Friday.

Change in the Fund's paid-up share capital

As at 27 October 2014, the new value of the Fund's paid-up share capital is RON 11,469,658,154.35, while the subscribed share capital of the Fund remains unchanged at RON 11,815,279,886.85.

The change is a result of the off-set between the value of the Romanian State's outstanding debt related to unpaid share capital towards the Fund and the value of newly received shares by the Fund from the Romanian State in Hidroelectrica S.A. (134 shares were received by the Fund therein with an aggregate value of RON 1,340).

< GAIN FROM OUR PERSPECTIVE >



**Franklin Templeton Investment
Management Limited Bucharest
Branch**

Premium Point
78-80 Buzesti Street, 1st District
Bucharest 011017
Romania

**FONDUL
PROPRIETATEA**

Fondul Proprietatea S.A

Premium Point (7th Floor)
78-80 Buzesti Street, 1st District
Bucharest 011017
Romania