IMPORTANT NOTICE

IMPORTANT: You must read the following before continuing.

The following applies to the prospectus (the "**Prospectus**") following this page and you are therefore advised to read the disclaimers set out in this electronic transmission carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Fondul Proprietatea S.A. (the "**Fund**") as a result of such access. You acknowledge that this electronic transmission and the Prospectus are confidential and intended for you only and you agree you will not forward, reproduce or publish this electronic transmission and/or the Prospectus in any manner whatsoever to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION OR THE PROSPECTUS CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION. THE SECURITIES REFERRED TO IN THE PROSPECTUS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND IN PARTICULAR MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR APPLICABLE LAWS OF OTHER JURISDICTIONS.

NEITHER THE PROSPECTUS NOR ANY PART OR COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO AUSTRALIA, CANADA OR JAPAN OR TO ANY RESIDENT OF JAPAN, OR DISTRIBUTED DIRECTLY OR INDIRECTLY IN AUSTRALIA, CANADA OR JAPAN OR TO ANY RESIDENT OF JAPAN.

Confirmation of your Representation: This electronic transmission and the Prospectus are being sent at your request and by accepting the e-mail and accessing the Prospectus, you shall be deemed to have represented to the Fund that you consent to delivery of this electronic transmission and the Prospectus by electronic transmission.

The Prospectus has been sent to you in an electronic format. You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver the Prospectus, electronically or otherwise, to any other person. If you receive the Prospectus by e-mail, you should not reply by e-mail. Any reply to e-mail communications, including those you generate by using the "reply" function on your e-mail software, will be ignored or rejected. If you receive the Prospectus in electronic format by e-mail, your use of such Prospectus in electronic format and such e-mail is at your own risk and it is your responsibility to take precautions to ensure that each is free from viruses and other items of a destructive nature.

The Prospectus has been sent to you in an electronic format. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, neither the Fund, Jefferies International Limited (the "**Sole UK Financial Adviser**"), The Bank of New York Mellon (the "**GDR Depositary**") nor any person who controls any of them, nor any director, officer, employee nor agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Fund. In case of any discrepancy between the Prospectus distributed in electronic format and the hard copy version available on request from the Fund, the hard copy version of the Prospectus will prevail.

None of the Sole UK Financial Adviser and the GDR Depositary nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this electronic transmission or the Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Fund or the GDRs. The Sole UK Financial Adviser and the GDR Depositary and each of their affiliates disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of this electronic transmission, the Prospectus or any such statement. No representation or warranty, express or implied, is made by the Sole UK Financial Adviser or the GDR Depositary or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information set out in this electronic transmission or the Prospectus.

FONDUL PROPRIETATEA S.A.

(A joint stock company incorporated under the laws of Romania managed by Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch)

Admission to trading on the Specialist Fund Market of the London Stock Exchange

This document has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**") as a prospectus (the "**Prospectus**") in accordance with the prospectus rules of the FCA (the "**Prospectus Rules**") made under Part VI of the Financial Services and Markets Act 2000, as amended (the "**FSMA**").

This Prospectus relates to an application for admission to trading to the Specialist Fund Market ("**SFM**") of the London Stock Exchange plc (the "**London Stock Exchange**") of up to 81,228,524 global depositary receipts (the "**GDRs**"), representing ordinary shares of Fondul Proprietatea S.A. (the "**Fund**"), each with a par value of RON 0.95 and carrying one vote in the Fund's general meeting of shareholders (the "**Shares**"), with 1 GDR representing 50 Shares ("**Admission**"). The Fund is a closed-end investment company incorporated under the laws of Romania as a joint stock company. As at 22 April 2015, 11,820,466,317 Shares are fully paid (of which 1,072,212,715 Shares are held as treasury shares by the Fund) and 363,812,350 Shares (owned by the Romanian State) are unpaid and are blocked from trading until such time as they are fully paid.

The Shares were admitted to trading on Tier 1 (currently Premium Category) of the Spot Regulated Market managed by the Bucharest Stock Exchange on 25 January 2011 under the symbol "FP" with the ISIN ROFPTAACNOR5 and are traded in RON. Upon Admission the GDRs will be admitted to trading under the symbol "FP." for trading in US dollars. The Spot Regulated Market of the Bucharest Stock Exchange and the SFM are both regulated markets in the European Economic Area (the "**EEA**") for the purposes of Directive 2004/39/EC ("**MiFID**").

Admission of the GDRs to trading on the SFM is expected to take place on or around 29 April 2015.

THE CONTENTS OF THIS PROSPECTUS ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL, BUSINESS OR TAX ADVICE. EACH POTENTIAL INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN LEGAL ADVISER, FINANCIAL ADVISER OR TAX ADVISER FOR LEGAL, FINANCIAL OR TAX ADVICE.

This Prospectus does not constitute or form part of an offer to sell, or a solicitation of an offer to buy any security. The distribution of this Prospectus may, in certain jurisdictions, be restricted by law and this Prospectus may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised, or to any person to whom it is unlawful to make such an offer or solicitation. Persons into whose possession this Prospectus comes are required to inform themselves of and observe all such restrictions and obtain any consent, approval or permission required. Any failure to comply with any such restrictions may constitute a violation of the securities laws of the jurisdiction concerned.

The GDRs have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exemptions, the GDRs may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**").

Sole UK Financial Adviser

Jefferies

The date of this Prospectus is 23 April 2015.

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

This document comprises a prospectus relating to the Fund and the GDRs for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**").

The Fund accepts responsibility for the information contained in this Prospectus. To the best of the Fund's knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is authorised to give any information or to make any representation in connection with the GDRs other than as contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorised by the Fund, Jefferies International Limited (the "Sole UK Financial Adviser" or "Jefferies") or The Bank of New York Mellon (the "GDR Depositary"). If anyone provides any investor with different or inconsistent information, such investor should not rely on it.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Fund, Jefferies or the GDR Depositary that any recipient of this Prospectus should purchase the GDRs. No representation or warranty, express or implied, is made by Jefferies or the GDR Depositary or any of their respective affiliates or advisors as to the accuracy or completeness of any information contained in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the GDR Depositary as to the past or the future. Any reproduction or distribution of this Prospectus, in whole or in part and any disclosure of its contents, except to the extent that such contents are otherwise publicly available, is prohibited. The delivery of this Prospectus shall not, under any circumstances, create any implication that there has been no change in the Fund's affairs since the date hereof, or that the information contained herein is correct at any time subsequent to such date. Each prospective investor, by accepting delivery of this Prospectus, agrees to the foregoing.

Each potential purchaser of the GDRs should determine for itself the relevance of the information contained in this Prospectus, and its purchase of the GDRs should be based upon such investigation, as it deems necessary, including the assessment of risks involved and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors that may be relevant to such investor in connection with the purchase of the GDRs.

Prospective investors should not consider any information in this Prospectus to be investment, legal or tax advice. Each prospective investor should consult its own legal counsel, financial adviser, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the GDRs. None of the Fund, Jefferies or the GDR Depositary makes any representation to any purchaser of the GDRs regarding the legality of an investment in the GDRs by such purchaser under appropriate investment or similar laws. The price of the GDRs as well as the income and cash distributions, if any, from them can go down as well as up.

Information on the Fund's website, any website mentioned in this Prospectus or any website directly or indirectly linked to the Fund's website is not incorporated by reference into this Prospectus and any decision to purchase the GDRs should not be made in reliance on such information.

This Prospectus does not constitute an offer to sell, or a solicitation by or on behalf of the Fund, Jefferies or the GDR Depositary to any person to purchase any of the GDRs in any jurisdiction. The distribution of this Prospectus may be restricted by law in certain jurisdictions. Prospective investors must inform themselves about, and observe any such restrictions. No action has been taken by the Fund, Jefferies or the GDR Depositary that would permit an offer of the GDRs, or possession or distribution of this Prospectus or any other offering material or application form relating to the GDRs in any jurisdiction where action for that purpose is required. This Prospectus may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances. Further information with regard to restrictions on sales of the GDRs is set forth below and under "*Terms and Conditions of the Global Depositary Receipts*" and "*Selling and Transfer Restrictions*". None of the Fund, Jefferies or the GDR Depositary is making an offer to sell the GDRs or a solicitation of an offer to buy any of the GDRs to any person in any jurisdiction.

Jefferies, which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for the Fund in connection with the application for Admission. Jefferies will not regard any other person (whether or not a recipient of this document) as its client in relation to the application for Admission and will not be responsible to any other person for providing the protections afforded to its clients or for giving advice in relation to the application for Admission or any other transaction or arrangement referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Jefferies by FSMA, or the regulatory regime established thereunder or under the regulatory regime of any other jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither Jefferies nor any of its affiliates, nor any of its directors, officers, employees or advisers accept any responsibility whatsoever, and make no representation or warranty, express or implied, for the contents of this document including its accuracy, completeness or verification or for any other statement made or purported to be made by any of them or on behalf of any of them, the Fund or any other person, in connection with the Fund, the GDRs or the application for Admission and nothing in this document shall be relied upon as a promise or representation in this respect, whether as to the past or the future. Jefferies accordingly disclaims to the fullest extent permitted by applicable law, all and any liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this document or any such statement.

Jefferies and any of its affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Fund, for which they would have received customary fees. Jefferies and any of its affiliates may provide such services to the Fund and any of its affiliates in the future.

This Prospectus will be available on the website of the London Stock Exchange at *http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html*, on the website of the Fund at *www.fondulproprietatea.ro* and copies thereof will be provided upon request during normal business hours at the headquarters of the Fund located at 78-80 Buzesti Street, 7th floor, Bucharest 011017, Romania. The information set forth in this Prospectus is only accurate as of the date on the front cover of this Prospectus. The Fund's business and financial condition may have changed since that date.

The Fund's articles of association, in force and updated at 27 January 2015 (the "**Articles of Association**") are available on the Fund's website at *www.fondulproprietatea.ro*.

NOTICE TO ALL INVESTORS

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set forth in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the GDRs, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction. Accordingly, the GDRs may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the GDRs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction.

Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the purchase of the GDRs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or buy any of the GDRs to any person in any jurisdiction.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING-STATEMENTS

Certain statements in this Prospectus are not historical facts and are "forward-looking" statements which reflect the Fund's views with respect to its results of operations, financial condition, business strategy and its plans and objectives for future operations.

These forward-looking statements mainly apply to the references in this Prospectus of the Fund's plans and expectations, its objectives and strategies, growth and profitability, as well as the economic environment in which the Fund carries out its business. These forward-looking statements include, without limitation, any statements preceded by, followed by or that include the words "may", "will", "would", "should", "expect", "intend", "estimate", "forecast", "anticipate", "project", "believe", "consider", "aim", "target", "appreciate", "have in mind", "seek", "plan", "predict", "continue", "commit" and similar expressions or their negatives. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Fund's control that could cause its actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Fund's present and future business strategies and the environment in which the Fund will operate in the future. Among the important factors that could cause the Fund's actual results, performance or achievements to differ materially from those expressed in such forward-looking statements are those in the sections entitled "*Risk Factors*", "*Portfolio*", "*Fund Manager*" and elsewhere in this Prospectus. These factors include, but are not limited to:

- the impact of certain laws and regulations and the interpretation, application or enforcement thereof;
- changes in the Fund's area of business and changes in the general economic, political, social or legal environment;
- changes in the development of the industry sectors in which the Fund expects to invest, including any delay or discontinuation of the ongoing reforms in certain sectors (e.g. the energy sector);
- liquidity of the Fund's investments, or lack thereof;
- limited pool of prospective portfolio companies;
- the Fund's organisational, ownership and investment structure;
- the Fund's ability to successfully implement any of its strategies;
- changes in the market expectations of the Fund;
- inflation, fluctuations of interest rates and exchange rates;
- factors not known by the Fund at this time.

The above list of important factors is not exhaustive. When reviewing forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Fund operates. Forward-looking statements contained in this Prospectus speak only as at the date of this Prospectus. Except as required by applicable law or regulation, the Prospectus Rules or the Disclosure and Transparency Rules, the Fund expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Fund's expectations with regard thereto or any change in events, conditions or circumstances on which any of such statements are based unless required to do so by any applicable regulatory regime.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Fund is incorporated under the laws of Romania. Certain persons referred to herein are residents of Romania and certain entities referred to herein are organised under the laws of Romania. All or a substantial portion of the assets of such persons and entities are located in Romania. As a result, it may not be possible for investors to:

- effect service of process within the United States or other countries upon any member of the supervisory body created by the Fund, in accordance with its articles of association and Government Decision no. 1514/2008 (the "**Board of Nominees**"), Franklin Templeton Investment Management Limited, United Kingdom, Bucharest Branch, acting as sole director of the Fund (the "**Sole Director**") or any of its senior managers named in this Prospectus; or

- enforce, in the United States or other countries, court judgments obtained in courts of the United States or such other countries against the Fund or any member of the Fund's Board of Nominees, its Sole Director or its senior managers named in this Prospectus in any action.

In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions located outside the United States, liabilities predicated upon US securities laws, as the case may be.

Furthermore, the United States and Romania currently do not have bilateral or other treaties between them providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. A final and conclusive judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon US federal securities laws, would not automatically be recognised or enforceable in Romania.

Recognition and enforcement of judgments of non-EU courts or courts of states that are not parties to the Lugano Convention

A judgment of a non-EU court of law or a court of a state that is not party to the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters signed on 30 October 2007 by the European Community, along with Denmark, Iceland, Norway and Switzerland and entered into force on 1 January 2010 (the "**Lugano Convention**"), respectively, made in personam for a certain sum, which is not impeachable as void or voidable under the internal laws of the foreign jurisdiction would be recognised in Romania provided that: (a) the judgement is final ("*hotarare definitiva*") according to the law of the state where it was given; (b) the court rendering such judgement had, according to *lex fori*, jurisdiction to try the relevant litigation, but without relying exclusively on the presence in that jurisdiction of the defendant or of some of its assets which are not directly connected with that litigation; (c) there exists reciprocity regarding the effects of foreign judgements between Romania and the foreign jurisdiction which rendered the judgement whose recognition is sought; (d) when given in default of appearance, the party who lost the trial was served in due course with the summoning for appearance for the hearing where the court tried the merits of the case and with the document which instituted the proceedings, was given the possibility to defend itself and was given the possibility to challenge the judgement; (e) such judgement was not obtained by fraud or in a manner manifestly inconsistent with or contrary to public order of Romanian international private law; (f) where the judgement is rendered in an area of law where persons cannot dispose freely of their rights, the judgement was not obtained exclusively for the purpose of withholding the matter from the incidence of the law that would otherwise be applicable pursuant to Romanian conflict of law rules; (g) no substantially similar action or proceeding involving the same parties resulted in a judgement (even if not final) of the Romanian courts or is pending before Romanian courts as at the date the action or proceeding commenced before the foreign jurisdiction which rendered the judgement; (h) the judgement is not irreconcilable with a prior foreign judgement which may be recognised in Romania; (i) Romanian courts did not have exclusive jurisdiction to try the subject matter of the judgement pursuant to Romanian civil procedure laws; (j) the right of defence was not breached; (k) the judgement may not be challenged in any other manner in the state where it was rendered; and (l) the application for recognition before Romanian courts is duly made according to the Romanian procedural rules and encloses all the documentation thereby required. Additionally, the recognition of the judgement may not be refused solely for the reason that the foreign court rendering the judgement applied another law than the law that would have been applicable according to Romanian conflict of law rules, except where the trial concerns the civil status and the capacity of a Romanian citizen and the solution adopted by the court differs from the solution that would have been reached according to the Romanian law.

A judgement can be enforced in Romania based on a final decision of a Romanian competent court approving the enforcement, only if: (i) the requirements mentioned above for the recognition in Romania of judgements are met; (ii) the judgement is enforceable according to the law of the jurisdiction where it was made; (iii) where the judgement establishes an obligation arising from a foreign fiscal law, there exists reciprocity regarding the effects of foreign judgements in the relevant fiscal matter between Romania and the foreign jurisdiction which rendered the judgement whose recognition and enforcement is sought; (iv) the enforcement of such judgement does not constitute, directly or indirectly, the enforcement of foreign penal laws; (v) the right to require enforcement has not expired/did not prescribe according to the statute of limitation provisions ("*prescriptia dreptului de a cere executarea silita*") of the

Romanian law; and (vi) the application for enforcement before Romanian courts is duly made according to the Romanian procedural rules and encloses all the documentation thereby required.

Recognition and enforcement of judgments of EU courts or of states parties to the Lugano Convention

A court judgment rendered in an EU court of law or a court of states parties to the Lugano Convention, respectively, would be recognised in Romania only if: (a) such recognition is not manifestly contrary to public order in Romania; (b) where it was given in default of appearance, if the defendant was served with the document which instituted the proceedings or with an equivalent document in sufficient time and in such a way as to enable him to arrange for his defence and failing that, if the defendant failed to commence proceedings to challenge the judgment when it was possible for him to do so; (c) it is not irreconcilable with a judgment given in a dispute between the same parties in Romania; (d) it is not irreconcilable with an earlier judgement given in another state involving the same cause of action and between the same parties, provided that the earlier judgment fulfils the conditions necessary for its recognition in Romania; and (e) the judgement does not conflict with the provisions of the Regulation (EU) no. 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast) of 12 December 2012 (the "**Brussels I Regulation (recast)**") or the Lugano Convention, respectively, dealing with jurisdiction in matters relating to insurance, jurisdiction over consumer contracts and exclusive jurisdiction.

A judgement can be enforced in Romania based on a final decision of a Romanian competent court approving the enforcement, only if: (i) it is enforceable in the state where the judgement was made; (ii) the Romanian competent court is provided with a copy of the judgement which satisfies the conditions necessary to establish its authenticity; (iii) the Romanian competent court is provided with an original certificate issued by the relevant foreign state's court or other competent authority substantially in the form set out in Brussels I Regulation (recast) or the Lugano Convention, respectively, and none of the conditions above preventing the recognition of a judgement is applicable; (iv) where the judgement orders a periodic payment by way of penalty, (including but not limited to, default interest), the amount of the payment has been finally determined by the courts of the state of origin; and (v) the right to enforce the final judgment is not restricted by any limitation period.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

Financial Statements of the Fund. The Fund's audited financial statements as of and for the year ended 31 December 2014 (including 2013 restated comparative financial information), the audited separate financial statements as of and for the years ended 31 December 2013 and 2012 (the "**Audited Financial Statements**") and the audited consolidated financial statements for the years ended 31 December 2013 and 2012 (the "**Audited Consolidated Financial Statements**") are included in this Prospectus. The Audited Financial Statements and the Audited Consolidated Financial Statements included in this Prospectus have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**"). The Audited Financial Statements and the Audited Consolidated Financial Statements are presented in Romanian Lei ("**RON**").

Unaudited operating information. The Fund's unaudited operating information in relation to its business is derived from the following sources: (i) net asset value reports prepared in accordance with Regulation no. 4/2010 of the National Securities Commission (the "**NSC**") (currently merged into the Financial Supervisory Authority (the "**FSA**")) regarding the registration of the Fund with the NSC, the operation of the Fund and the trading of the Fund's shares, as subsequently amended and supplemented (the "**Fund's Regulation**"); (ii) internal reporting systems supporting the preparation of financial statements; (iii) management assumptions and analyses; (iv) discussions with key operating personnel. Operating information derived from management accounts or internal reporting systems in relations to the Fund's business is to be found principally in the sections entitled *"The Fund*" and "*Portfolio*".

Non-IFRS measures. The Fund has included certain measures in this Prospectus that are not measures defined by IFRS. These include the valuation rules provided by the Fund's Regulation used for the preparation of net asset value (the "**NAV**") reports of the Fund. The Fund has included these measures for the reasons described below, however, these measures should not be used instead of, or considered as alternatives to, its historical financial results based on IFRS.

The Fund is required to publish monthly NAV reports, including a total net asset value and a net asset value per Share, in accordance with the FSA regulations (i.e. Fund's Regulation).

Market Information. Market data used in this Prospectus in the sections entitled "*Summary*", "*Risk Factors*", "*The Fund*" and "*Portfolio*" has been extracted from official and industry sources and other sources the Fund believes to be reliable. Sources of such information, data and statistics include the Bucharest Stock Exchange, National Regulatory Agency in Energy Sector ("**ANRE**"), National Prognosis Commission, the World Bank, Roland Berger Strategy Consultants, Bloomberg and *www.eia.gov*. Such information, data and statistics have been accurately reproduced and, as far as the Fund is aware and is able to ascertain from information published or provided by the aforementioned sources, no facts have been omitted which would render the reproduced information, data and statistics inaccurate or misleading.

Countries. In this Prospectus, all references to "**US**" are to the United States of America, all references to "**UK**" are to the United Kingdom, all references to the "**EU**" are to the European Union and its member states as of the date of this Prospectus, and all references to the "**EEA**" are to the European Economic Area and its member states as of the date of this Prospectus.

Currencies. In this Prospectus, all references to "**RON**" and "**Lei**" are to the lawful currency of Romania, all references to "**€**", "**EUR**" and "**euro**" are to the lawful currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended, and all references to "**US$**", "**$**", "**US dollar**", "**USD**" and "**dollar**" are to the lawful currency of the United States.

The Fund's functional and reporting currency is the RON, as it reflects the economic substance of the Fund's underlying events and circumstances. See also, "*Exchange Rate Information*".

Rounding. Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

HOME MEMBER STATE

The Fund has elected that Romania shall be its Home Member State for the purposes of the Transparency Directive (Directive 2004/109/EC).

EXCHANGE RATE INFORMATION

The following tables show, for the periods indicated, information relating to the exchange rates between RON and EUR, based on information derived from the National Bank of Romania. The columns titled "*Average*" in the tables below show the average of the daily reference rates for the respective periods.

Year ended 31 December	**High**	**Low**	**Average**	**Period End**
		(RON per EUR)		
2012	4.6481	4.3219	4.4560	4.4287
2013	4.5535	4.3072	4.4190	4.4847
2014	4.5447	4.3845	4.4446	4.4821

Source: National Bank of Romania

The Fund makes no representation that the RON amounts referred to in this Prospectus could have been or could be converted into any currency at the above exchange rates, at any other rate or at all.

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SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A-E (A.1–E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable."

	Section A — Introduction and warnings	
A.1	*Warning*	This summary should be read as an introduction to the prospectus (the "**Prospectus**"); any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor; where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	*Consent by the issuer or person responsible for drawing up the prospectus to the use of the prospectus for subsequent resale or final placement of securities by financial intermediaries.*	Not applicable. Fondul Proprietatea S.A. (the "**Fund**") has not consented to the use of the Prospectus for any subsequent resale or final placement of securities by financial intermediaries.
	Section B — Issuer	
B.31, B.33, B.1	*The legal and commercial name of the issuer.*	The Fund's legal and commercial name is Fondul Proprietatea S.A.
B.31, B.33, B.2	*The domicile and legal form of the issuer, the legislation under which the issuer operates and its country of incorporation.*	The Fund is a closed-end investment company incorporated under the laws of Romania as a joint stock company and is registered with and supervised by the Romanian Financial Supervisory Authority (the "**FSA**"). The Fund has its registered office at 78-80 Buzesti Street, 7th floor, Bucharest 011017, Romania.
B.31, B.3	*A description of, and key factors relating to, the nature of the issuer's current operations and its principal activities, stating the main categories of products sold and/or services performed and identification of the principal markets in which the issuer competes.*	The Fund was incorporated by the Romanian state in 2005 as a joint stock company with the special purpose of providing compensation to the persons whose real estate assets had been abusively confiscated by the Romanian state during the communist regime and which may no longer be subject to in-kind restitution thereto. The business object of the Fund is portfolio management. 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 portfolio of the Fund is heavily weighted in the power, oil and gas sectors through a number of listed and unlisted, privately-held and State-controlled entities incorporated in Romania.
B.31, B.4a	*A description of the most significant recent trends affecting the issuer and the*	As at 31 December 2014, the Fund's equity exposure amounted to 98% of the Fund's net asset value ("**NAV**") (represented 100% by Romanian equities).

	industries in which it operates.	Romania continued to outpace other countries in the European Union with one of the highest Gross Domestic Product ("**GDP**") growth rates of 2.9% in 2014, and 2.6% in the fourth quarter of 2014. Rising private consumption, supported by growing wages, and continued fall in the unemployment rate have contributed significantly to this evolution, while exports, industrial production, and agriculture have also positively impacted GDP growth in 2014. In 2014, the BET-XT index of the Bucharest Stock Exchange outperformed similar indices in Central and Eastern Europe as defined by the Organisation for Economic Co-operation and Development in both local currency and EUR terms, with an increase of 6.32% in RON and 6.28% in EUR (according to the Fund's calculation based on publicly available information). As at 31 December 2014, the Fund's exposure to the Romanian energy sector accounted for 88.7% of its NAV. Gas prices have increased starting 1 February 2013, pursuant to the schedule for gradual elimination of regulated gas prices. As of 1 January 2015, prices for supply to non-household consumers are determined freely, based on direct negotiation or acceptances of supplier's standard offer. With respect to gas prices for household consumers, the Romanian Government decided to postpone the further liberalisation until at least June 2015. The National Regulatory Agency in Energy Sector ("**ANRE**") will have to publish a new calendar for the gas price liberalization for household consumers starting 1 July 2015 until 1 July 2021. These changes in policies regarding the liberalisation of gas prices impacts the gas producers in the Fund's portfolio (Societatea Nationala de Gaze Naturale "Romgaz" S.A ("**Romgaz**") and OMV Petrom S.A. ("**OMV Petrom**") by limiting the potential increase in their revenues and the profitability which the continuation of the liberalisation would have brought them. In addition, following the start of the liberalisation of natural gas prices, the Romanian Government imposed special taxes on additional income obtained as a result of the deregulation of prices in the natural gas sector, which will continue to apply until 31 December 2015.
B.31, **B.4b**	*A description of any known trends affecting the issuer and the industries in which it operates*	*Electricity Distribution Tariff Changes* ANRE modified the tariff setting methodology for electricity distributors in 2015, which is expected to have a negative impact on the profitability of distribution companies in the Fund's portfolio. *Energy Tariff Changes* The changes resulting from the elimination of regulated electricity prices will impact Hidroelectrica S.A. and Nuclearelectrica S.A., which sell electricity on the regulated market at prices below market prices. Therefore, the volumes of electricity which will be sold on the free market as a direct result of the electricity liberalisation could have a positive impact on the revenues and profitability of the two companies from the Fund's portfolio. *Oil Price Changes* Brent oil prices have fallen in 2014 from a high of USD 115.06 per barrel on 19 June 2014 to a low of USD 46.59 per barrel on 13 January 2015. Since then, oil prices recovered by more than 32.68% to USD 61.82 per barrel, as at 22 April 2015. The changes in oil prices impacts OMV Petrom, and, depending on the direction of the oil prices, it will limit or enhance its revenue stream and profitability. *Special Infrastructure Tax*

<table>
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<td>Starting in January 2015, the special infrastructure tax of 1.5% of the value of the special infrastructure assets, which most of the companies in the Fund’s portfolio had to pay for the first time in 2014, has been lowered to by one third to 1.0% of the value of such special infrastructure assets. This should have a positive impact on most of the companies in the Fund’s portfolio by lowering the taxes paid as of 2015.

New Oil and Gas Royalty Rates

The Government has postponed any changes to the current royalties until January 2016, while extending the additional taxes on liberalization of gas prices and hydrocarbons by 1 year until the end of 2015 – these were set to expire at the end of 2014.</td>
</tr>
<tr>
<td>B.31,
B.33, B.5</td>
<td>If the issuer is part of a group, a description of the group and the issuer's position within the group.</td>
<td>At the date of this Prospectus, the Fund has the following subsidiaries, all of which are incorporated and operate in Romania:
<table>
<tr><th>Name</th><th>Proportion of ownership interest and voting rights</th></tr>
<tr><td></td><td>Listed companies</td></tr>
<tr><td>Alcom S.A. ....</td><td>71.89%</td></tr>
<tr><td>Primcom S.A ....</td><td>76.03%</td></tr>
<tr><td></td><td>Unlisted companies</td></tr>
<tr><td>Comsig S.A.............</td><td>69.95%</td></tr>
<tr><td>Zirom S.A. ....</td><td>100.00%</td></tr>
</table>
These entities qualify as "subsidiaries" of the Fund due to level of shareholding; however, they are managed independently.</td>
</tr>
<tr>
<td>B.31,
B.33, B.6</td>
<td>In so far as is known to the issuer, the name of any person who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest.

Whether the issuer's major shareholders have different voting rights if any.

To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control.</td>
<td>As at the date of this Prospectus, in so far as is known to the Fund, the following shareholders own more than 5% of the voting rights in the Fund:
<table>
<tr><th>Name of shareholder</th><th>Voting rights</th></tr>
<tr><td>Manchester Securities Corp. (New York) and Beresford Energy Corp, part of the Elliott group of companies</td><td>20.01%</td></tr>
</table>
According to the Fund's restated articles of association dated 27 January 2015 (the "Articles of Association"), the Shares grant equal rights (i.e. one share gives its owner one voting right).

The Fund is not directly or indirectly owned or controlled by any entity or individual.</td>
</tr>
<tr>
<td>B.31,
B.33, B.7</td>
<td>Selected historical key financial information regarding the issuer, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that</td>
<td>The summary historical financial and operational information as set forth below has been derived from the Fund's audited financial statements as of and for the year ended 31 December 2014 (including 2013 restated comparative financial information), the audited separate financial statements as of and for the years ended 31 December 2013 and 2012 prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Summary of Statement of comprehensive income for the years ended 31 December 2014, 2013 (as restated and as previously reported) and 2012
<table>
<tr><th></th><th colspan="3">For the year ended 31 December</th></tr>
<tr><th></th><th>2014</th><th>2013</th><th>2012</th></tr>
</table></td>
</tr>
</table>

the requirement for comparative balance sheet information is satisfied by presenting the year-end balance sheet information.

This should be accompanied by a narrative description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information.

	audited			
		As restated	*As previously reported*	*As previously reported*
		(RON Thousands)		
Gross dividend income	687,411	652,380	652,380	623,659
Gains on disposal of equity investments available for sale, net	645,546	115,106	247,822	17,878
Interest income	20,897	36,144	36,144	34,923
Reversal of impairment losses on receivables, net	19,582	37,674	n.a.	n.a
Net gain / (loss) from equity instruments at fair value through profit or loss	(604,220)	422,351	n.a.	n.a
Reversal of impairment losses / (Impairment losses) on dividends receivable, net(1)	n.a.	n.a	46,907	(46,210)
Reversal of impairment losses/ (impairment losses) on receivables in respect of equity contributions, net1	n.a.	n.a	(9,038)	5,211
Impairment losses on equity investments available for sale	(344,088)	(835,772)	(835,772)	(772,365)
Impairment losses on other assets1	-	-	(195)	(878)
Net foreign exchange gains / (losses)	(823)	34	34	(218)
Other income / (expenses), net(3)	(6,073)	3,910	3,131	3,950
Net operating income	**418,232**	**431,827**	**141,413**	**(134,050)**
Personnel expenses(2)	-	-	(948)	(659)
Operating expenses	(113,641)	(88,428)	(87,691)	(58,913)
Operating expenses	**(113,641)**	**(88,428)**	**(88,639)**	**(59,572)**
Profit / (Loss) before income tax	**304,591**	**343,399**	**52,774**	**(193,622)**
Income tax (expense)/ benefit	122,595	(382,143)	(890,111)	118,660
Profit / (Loss) of the year	**427,186**	**(38,744)**	**(837,337)**	**(74,962)**
Other comprehensive income				
Net change in fair value of available for sale equity investments	616,205	4,066,505	4,512,773	1,492,910
Deferred tax on other comprehensive income	7,807	16,888	467,248	(238,866)
Decrease in fair value reserve following the disposal of available for sale equity investments	(616,775)	(200,205)	(299,453)	-
Total other comprehensive income	**7,237**	**3,883,188**	**4,680,568**	**1,254,044**
Total comprehensive income for the year	**434,423**	**3,844,444**	**3,843,231**	**1,179,082**
Basic and diluted earnings per share	**0.0321**	**(0.0028)**	**(0.0608)**	**(0.0054)**

Notes: In the financial statements for the year ended 31 December 2014, the restated financial information for year ended 31 December 2013 included the following reclassifications, in order to be consistent with 2014 presentation:

(1) "Reversal of impairment losses / (Impairment losses) on dividends receivable, net", "Reversal of impairment losses/ (impairment losses) on receivables in respect of equity contributions, net" and "Impairment losses on other assets" were reclassified to "Reversal of impairment losses on receivable, net".

(2) "Personnel expenses" were reclassified to "Other operating expenses".

(3) The amount of operating income netted off in "Other operating expenses" in the initially reported Statement of comprehensive income for the year ended 31 December 2013, was reclassified under "Other operating income / (expenses), net"

Summary of Statement of financial position as of 31 December 2014, 2013 (as restated and as previously reported) and 2012

	As at 31 December			
	2014	**2013**		**2012**
	audited			
		As restated	*As previously reported*	*As previously reported*
		(RON Thousands)		
Assets				
Cash and current accounts	6,879	5,553	5,553	1,858
Deposits with banks	109,425	232,110	232,110	317,309
Treasury bills	162,839	129,887	129,887	454,733
Government bonds	31,750	83,748	83,748	-
Dividends receivable	-	-	-	800
Equity investments	12,927,657	14,312,229	14,308,030	11,269,744
Deferred tax assets	152,679	342	342	363,488
Other assets	9,438	3,625	3,625	2,189
Total assets	**13,400,667**	**14,767,494**	**14,763,295**	**12,410,121**
Liabilities				
Other liabilities	52,794	42,268	42,268	21,064
Total liabilities	**52,794**	**42,268**	**42,268**	**21,064**
Equity				
Share capital	11,815,280	13,778,392	13,778,392	13,778,392

Fair value reserve on available-for-sale financial assets	4,020,355	4,013,119	7,174,888	2,494,320
Other reserves	610,197	312,559	312,559	278,451
Treasury shares	(1,189,918)	(1,095,093)	(1,095,093)	(120,269)
Retained earnings	(1,908,041)	(2,283,751)	(5,449,719)	(4,041,837)
Total equity	**13,347,873**	**14,725,226**	**14,721,027**	**12,389,057**
Total liabilities and equity	**13,400,667**	**14,767,494**	**14,763,295**	**12,410,121**

Summary of Statement of cash flows for the years ended 31 December 2014, 2013 and 2012

	For the year ended 31 December		
	2014	**2013**	**2012**
		audited	
		As previously reported	*As previously reported*
		RON Thousands	
Cash flows from operating activities			
Proceeds from sale of equity instruments	1,080,212	570,774	207,871
Acquisitions of treasury bills and bonds	(1,361,208)	(1,037,190)	(537,216)
Disposals and maturity of treasury bills and bonds	1,375,944	1,283,137	282,591
Dividends received (net of withholding tax)	682,067	696,287	625,371
Interest received	20,085	33,210	30,329
Suppliers and other taxes and fees paid	(109,634)	(78,793)	(76,281)
Creation of bank deposits with original maturities of more than three months	(25,000)	-	-
Income tax paid	(23,522)	-	(122)
Remunerations and related taxes paid	(1,131)	(968)	(686)
Realized foreign exchange gain/(loss) on cash and cash equivalents	(961)	3	(200)
Subscriptions to share capital increase of portfolio companies	-	(42,714)	(2,540)
Interest and penalties received in relation with the dividends late payments(1)	-	n.a.	1,757
Other receipts, net(1)	1,301	1,440	158
Acquisition of equity investments	-	-	(62)
Net cash flows from operating activities	**1,638,153**	**1,425,186**	**530,970**
Cash flows from financing activities			
Return of capital to shareholders	(589,891)	-	-
Acquisition of treasury shares	(1,188,701)	(974,824)	-
Dividends paid (including related taxes)	(5,976)	(530,674)	(510,477)
Net cash flows used in financing activities	**(1,784,568)**	**(1,505,498)**	**(510,477)**
Net (decrease) / increase in cash and cash equivalents	**(146,415)**	**(80,312)**	**20,493**
Cash and cash equivalents at the beginning of the period	237,573	317,886	297,393
Cash and cash equivalents at the end of the period	**91,158**	**237,574**	**317,886**

	31 December		
	2014	**2013**	**2012**
Cash	6,879	5,553	1,858
Bank deposits with original maturities of less than three months	84,279	232,021	316,028
	91,158	**237,574**	**317,886**

Note: In the Summary of Statement of cash flows for the years ended 31 December 2014 the financial information for year ended 31 December 2013 include the following reclassification in order to be consistent with 2014 presentation:

(1)"Interest and penalties received in relation with the dividends late payments" was reclassified to "Other receipts, net"

Significant changes in accounting policies in 2014

*First time application of Investment Entities (Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and International Accounting Standards ("**IAS**") 27 "Separate financial statements") (the "**Amendments**")*

The Fund applied the Amendments starting 1 January 2014, when these became effective, after their adoption by the European Union.

Analysing the criteria presented in the Amendments, Franklin Templeton Investment Management Limited, the Fund's manager (the "**Fund Manager**"), concluded that the Fund meets the requirements for being classified as an "investment entity", as

		defined in the Amendments. As a result, the Fund changed its accounting policies for its investments in subsidiaries and associates, classifying and measuring them at fair value through profit or loss. All the other equity investments of the Fund remained classified as in previous years, as available for sale financial assets. As a consequence, following the application of the Amendments, starting 1 January 2014 the Fund is no longer required to consolidate its subsidiaries nor prepare consolidated financial statements, the Fund having a single set of financial statements going forward. Based on the Amendments requirements, the Fund will reassess for each future reporting period the qualification criteria of being considered an investment entity. *Restatement of comparative financial information* In accordance with the transitional provisions of the Amendments, the Fund has applied the new accounting policies retrospectively and restated the comparative financial information. In this respect, the Fund retrospectively adjusted both the period that immediately precedes the date of initial application (year ended 31 December 2013) and the statement of financial position at the beginning of the immediately preceding period (1 January 2013) to reflect the new accounting policies described above. *Recent developments* There has been no significant change in the Fund's financial condition and operating results during or subsequent to the period covered by the historical key financial information.
B.33, B.8	*Selected key pro forma financial information, identified as such.* *The selected key pro forma financial information must clearly state the fact that because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Fund's actual financial position or results.*	Not applicable. The Prospectus does not include any *pro forma* financial information.
B.31, **B.33,** **B.9**	*Where a profit forecast or estimate is made, state the figure.*	Not applicable. The Prospectus does not include a profit forecast or estimate by the Fund.
B.31, **B.33,** **B.10**	*A description of the nature of any qualifications in the audit report on the historical financial information.*	There are no qualifications in the audit reports on the historical financial information.
B.32	*Information about the issuer of the depository receipts:* *— 'Name and registered office of the issuer of the depository receipts.'* *— 'Legislation under*	The Bank of New York Mellon (the "**GDR Depositary**") is a state-chartered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Banking Department. The GDR Depositary was constituted in 1784 in the State of New York. It is a wholly-owned subsidiary of The Bank of New York Mellon

	which the issuer of the depository receipts operates and legal form which it has adopted under the legislation.'	Corporation, a Delaware bank holding company. The principal office of the GDR Depositary is located at One Wall Street, New York, NY 10286. Its principal administrative offices are located at 101 Barclay Street, New York, NY 10286.
B.34	*A description of the investment objective and policy, including any investment restrictions, which the collective investment undertaking will pursue with a description of the instruments used.*	The Fund's investment objective as set out in the investment policy statement (the "**Investment Policy Statement**") consists of the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities. The Fund's Investment Policy Statement is prepared by the Fund Manager with the observance of the investment limits set forth in the applicable laws and regulations and in the Articles of Association. According to the current Investment Policy Statement of the Fund, the Fund Manager shall, in the absence of investment opportunities offering better returns for shareholders, use all or a significant part of the proceeds from dividends and disposal of portfolio companies to implement measures aimed at maximising cash returns to the Fund's shareholders and fulfilling the Fund's performance objectives. According to the current Romanian legislation, the Fund may only invest in the following assets: (i) EU listed transferable securities and money market instruments; (ii) Non-EU listed transferable securities and money market instruments, subject to supervisory endorsement; (iii) newly issued securities, in certain conditions; (iv) units in undertakings for collective investment in transferable securities and/or in other undertakings for collective investment, under certain conditions; (v) deposits with credit institutions, reimbursable upon request, with a maturity of maximum 12 months, in certain conditions; (vi) financial derivatives, in certain conditions; and (vii) other non-listed money market instruments, under certain conditions. Investments made by the Fund are subject to the following limits: the Fund may hold a maximum of 20% of its assets in unlisted transferable securities and money market instruments (except for government securities and bonds issued by the Romanian Ministry of Public Finance and for unlisted securities received by the Fund from the Romanian State at incorporation); (ii) the Fund cannot invest more than 10% of its assets in securities or money market instruments issued by the same issuer (except for government bonds and for securities received by the Fund at incorporation); (iii) the Fund cannot invest more than 10% of its assets in financial instruments issued by entities part of the same group; (iv) the Fund generally cannot invest more than 10% of its assets in units issued by collective investment undertakings; (v) the current accounts and cash held by the Fund cannot exceed 20% of its assets (the threshold can be exceeded in certain circumstances); (vi) the amount of bank deposits with the same credit institution cannot represent more than 10% of the Fund's assets; (vii) exposure to the counterparty risk in one over-the-counter derivative transaction cannot exceed 10% of the Fund's assets, while the global exposure through derivatives cannot exceed 15% of the total allocation of net assets. The Fund will inform investors of breaches to the investment policy by publishing current reports.
B.35	*The borrowing and/or leverage limits of the collective investment*	The Fund cannot conclude loan agreements for investment reasons. There are no other limitations to the Fund's borrowing capacity.

	undertaking. If there are no such limits, include a statement to that effect.	
B.36	*A description of the regulatory status of the collective investment undertaking together with the name of any regulator in its country of incorporation.*	The Fund is registered with the FSA as a closed-end investment company under no. PJR09SIIR/400006/18 August 2010.
B.37	*A brief profile of a typical investor for whom the collective investment undertaking is designed.*	An investment in the Fund (in global depositary receipts which represent the ordinary shares of the Fund (the "**GDRs**")) is only suitable for persons: (i) for whom the investment in the Fund is part of a diversified portfolio; (ii) who understand that there may be limited liquidity in the Fund and in the companies from the Fund's portfolio; (iii) who fully understand and can bear the risks involved in such an investment, such as the potential risk of total or partial capital loss or other risks as may be described in this Prospectus.
B.38	*Where the main body of the prospectus discloses that more than 20 % of the gross assets of the collective investment undertaking may be:* *(a) invested, directly or indirectly, in a single underlying asset, or* *(b) invested in one or more collective investment undertakings which may in turn invest more than 20 % of gross assets in other collective investment undertakings, or* *(c) exposed to the creditworthiness or solvency of any one counterparty the identity of the entity should be disclosed together with a description of the exposure (e.g. counter-party) as well as information on the market in which its securities are admitted.*	As at 31 December 2014 the Fund's holdings in OMV Petrom S.A., represented 32.76% of the total assets of the Fund (according to the Audited Financial Statements of the Fund for the year ended 31 December 2014) and 33.16% of NAV. OMV Petrom S.A. is a Romanian joint stock company, listed on the Bucharest Stock Exchange, registered with the Bucharest Trade Registry Office under number J40/8302/1997, having its corporate seat in Bucharest, Romania and its business address at 22 Coralilor Street, 1st District, Bucharest 013329, Romania. At the date of this Prospectus, there are no investments by the Fund in collective investment undertakings or, save as noted above, no exposures of more than 20% of the Fund's assets to the creditworthiness or solvency of any counterparty.
B.39	*Where a collective investment undertaking may invest in excess of 40 % of its gross assets in another collective investment undertaking the summary should briefly explain either:* *(a) the exposure, the identity of the underlying collective investment undertaking, and provide such information as would*	Not applicable.

	be required in a summary note by that collective investment undertaking; or *(b) where the securities issued by an underlying collective investment undertaking have already been admitted to trading on a regulated or equivalent market, the identity of the underlying collective investment undertaking.*	
B.40	*A description of the applicant's service providers including the maximum fees payable.*	*Investment Manager* The Fund Manager, which is regulated in the United Kingdom by the Financial Conduct Authority (the "**FCA**"), has been appointed as the Fund's sole director and investment manager, serving at the date of this Prospectus a two-year mandate valid until September 2016. The Fund Manager has overall responsibility for the discretionary management of the Fund's assets in accordance with the Fund's investment objective and policy, the applicable laws and the Articles of Association. The Fund Manager is entitled to a management fee (the "**Base Fee**") equal to (a) the Base Fee rate (b) multiplied by the notional amount (c) multiplied by the number of calendar days of payment and (d) divided by 365, where: (i) the Base Fee Rate = 60 basis points per year; (ii) 1 basis point = 0.0001; and (iii) the notional amount is the market capitalisation of the Fund which is defined as the number of the Fund's paid Shares, minus the weighted average number of the treasury shares held over the calculation period, then multiplied by the weighted average market price of the Fund's Shares calculated for the corresponding quarter. In addition, the Fund Manager is entitled to a distribution fee in consideration of distributions made to the shareholders after 20 March 2015, which is computed on the basis of the total non-dividend distributions made available. *Custodian* The Fund has appointed BRD-Groupe Societe Generale S.A. (the "**Custodian**") to hold and / or transfer the Fund's assets as its depositary and custodian and to certify the Fund's month-end NAV and the computation of the Fund Manager's fees through a depositary and custody agreement which entered into force on 27 November 2013 for a three-year term. The Custodian is entitled to the following fees: (a) a percentage applied to the month-end NAV for monthly official NAV certification and certification of the Fund Manager's fees, (b) a percentage applied to the value of the assets under custody as at the month-end for the custody of assets (which varies depending on the market the assets are listed on) and (c) a flat fee for settlement of portfolio trades.
B.41	*The identity and regulatory status of any investment manager, investment advisor, custodian, trustee or fiduciary (including and delegated custody arrangements).*	The Fund is managed by Franklin Templeton Investment Management Limited, United Kingdom, with headquarters at Cannon Place, 78 Cannon Street, London EC4N 6HL, United Kingdom, acting through its Bucharest Branch, which is headquartered at 78-80 Buzesti Street, floors 7-8th, District 1, Bucharest and is registered with the Trade Registry under no. J40/8587/2009. The Fund Manager is authorised and regulated in the United Kingdom by the FCA and is also registered as an investment advisor with the United States' Securities and Exchange

		Commission. In Romania, the Fund Manager is registered with the FSA under no. PJM05SSAM/400001/14.09.2009. The Custodian is headquartered at BRD Tower, 1-7 Ion Mihalache Blvd, Bucharest, District 1, is registered with the Trade Registry under no. J40/608/1991, with the Romanian Register of Credit Institutions under number RB - PJR - 40 - 007/18.02.1999 and with the FSA Register under number PJRO1INCR/400008. The Custodian is authorised and regulated by the National Bank of Romania.
B.42	*A description of how often the net asset value of the collective investment undertaking will be determined and how such net asset value will be communicated to investors.*	The Fund is required to publish a monthly NAV report for the last business day of each calendar month, including the unaudited total NAV and NAV per share, in accordance with the FSA regulations, no later than 15 calendar days after the reporting month end. The monthly NAV reports are certified by the Custodian and are published on the website of the Fund (*www.fondulproprietatea.ro*) and on the website of the Bucharest Stock Exchange (*www.bvb.ro*).
B.43	*In the case of an umbrella collective investment undertaking, a statement of any cross liability that may occur between classes or investment in other collective investment undertaking.*	Not applicable. The Fund is not an umbrella collective investment undertaking.
B.44, B.7 Plus	*'Where a collective investment undertaking has not commenced operations and no financial statements have been made up as at the date of the registration document, a statement to that effect.'*	Not applicable. The Fund has prepared financial statements for the previous years.
B.45	*A description of the collective investment undertaking's portfolio.*	The Fund's portfolio is heavily weighted in the power, oil and gas sectors through a number of listed and unlisted, privately-held and state-controlled entities. As of 31 December 2014 the breakdown of the Fund's portfolio by asset type was as follows: **Asset type** — **% of NAV** Listed securities — 49.1% Unlisted securities — 48.9% Net cash and receivables* — 2.0% **bank deposits, current bank accounts, short-term treasury bills and 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.* As of 31 December 2014 the breakdown of the Fund's portfolio by industry sector was as follows: **Industry sector** — **% of NAV** Oil & gas* — 43.7% Electricity & gas** — 26.1% Electricity production — 18.9% Infrastructure — 3.8% Banking — 2.8% Other sectors — 2.7% Net cash and receivables*** — 2.0% ** production, storage, processing/refining* ***transport, distribution, supply* ****bank deposits, current bank accounts, short-term treasury bills and bonds, dividend receivables, as well as other assets, net of all liabilities (including*

<table>
<tr><td></td><td></td><td>dividends and the liabilities to shareholders related to the return of capital) and provisions.

The following table shows the top ten portfolio holdings as at 31 December 2014:

<table>
<tr><th>Company name</th><th>share capital held by the Fund</th><th>NAV</th><th>NAV</th></tr>
<tr><td></td><td>(%)</td><td>(RON Million)</td><td>(%)</td></tr>
<tr><td>OMV Petrom SA ....</td><td>19.0%</td><td>4,389.5</td><td>33.2%</td></tr>
<tr><td>Hidroelectrica SA ....</td><td>19.9%</td><td>2,178.1</td><td>16.5%</td></tr>
<tr><td>Romgaz SA ....</td><td>10.0%</td><td>1,362.9</td><td>10.3%</td></tr>
<tr><td>Enel Distributie Banat SA ....</td><td>24.1%</td><td>640.5</td><td>4.8%</td></tr>
<tr><td>Enel Distributie Muntenia SA ......</td><td>12.0%</td><td>465.8</td><td>3.5%</td></tr>
<tr><td>GDF Suez Energy Romania SA ...</td><td>12.0%</td><td>461.3</td><td>3.5%</td></tr>
<tr><td>E.ON Distributie Romania SA .....</td><td>18.4%</td><td>441.5</td><td>3.3%</td></tr>
<tr><td>Enel Distributie Dobrogea SA ......</td><td>24.1%</td><td>396.9</td><td>3.0%</td></tr>
<tr><td>CN Aeroporturi Bucuresti SA ......</td><td>20.0%</td><td>332.3</td><td>2.5%</td></tr>
<tr><td>Electrica Distributie Muntenia Nord SA ....</td><td>22.0%</td><td>235.6</td><td>1.8%</td></tr>
<tr><td>Top 10 Portfolio Holdings ....</td><td></td><td>10,904.4</td><td>82.4%</td></tr>
<tr><td>NAV ....</td><td></td><td>13,236.7</td><td>100%</td></tr>
<tr><td>NAV per share (RON) ....</td><td></td><td>1.2125</td><td></td></tr>
</table></td></tr>
<tr><td>B.46</td><td>An indication of the most recent net asset value per security (if applicable).</td><td>The net asset value per share as at 31 March 2015 is RON 1.1706.</td></tr>
<tr><td colspan="3">Section C – Securities
Information about the underlying shares</td></tr>
<tr><td>C.13, C.1</td><td>A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number.</td><td>Not applicable. The shares are not being offered or admitted to trading on another market.

The Fund's shares have been admitted to trading on Tier 1 (turned into Premium Category) of the Spot Regulated Market managed by the Bucharest Stock Exchange since 25 January 2011 under the symbol "FP" and have the ISIN ROFPTAACNOR5 and are traded in RON. The shares are ordinary, nominative, of equal value, issued in dematerialised form, evidenced in electronic book entry form and granting equal rights to their holders.</td></tr>
<tr><td>C.13, C.2</td><td>Currency of the securities issue.</td><td>The currency of the Shares is RON.</td></tr>
<tr><td>C.13, C.3</td><td>The number of shares issued and fully paid and issued but not fully paid. The par value per share, or that the shares have not par value.</td><td>The Fund has 12,184,278,667 Shares in issue with a par value of RON 0.95 each. The paid-up share capital of the Fund as at the date of this Prospectus is RON 11,229,443,001.15.

As at 22 April 2015, 11,820,466,317 Shares are fully paid (of which 1,072,212,715 Shares are held as treasury shares by the Fund) and 363,812,350 Shares (which are held by the Romanian State) are unpaid and are blocked from trading until such time as they are fully paid.</td></tr>
<tr><td>C.13, C.4</td><td>A description of the rights attached to the securities.</td><td>All shareholders are treated equally to other shareholders that own the same class of Shares, with the following material rights: the right to vote and participate in general meetings of shareholders; the right to receive dividends; the pre-emptive right to subscribe for any issue of new Shares on a pro rata basis, unless such pre-emptive right is limited by the general meeting of shareholders; the right to information (e.g. to be informed about the activity of the Fund, to obtain any information regarding the exercise of voting rights and information on the voting results of general shareholders meetings); the right to withdraw from the Fund and to request the Fund to acquire their Shares, if the shareholder did not vote in favour of a certain decision in the general meeting of shareholders; the right to challenge the decisions of the general meeting of shareholders; and other rights provided under the Articles of</td></tr>
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		Association, the Companies Law no. 31/1990 as subsequently amended and supplemented (the "**Companies Law**"), the Capital Markets Law No. 297/2004 and other pieces of legislation and regulations in force.
C.13, C.5	*A description of any restrictions on the free transferability of the securities.*	The Shares that the GDRs represent are freely transferable subject to the trading rules of the Bucharest Stock Exchange and the clearing and settlement rules of Depozitarul Central S.A. (the "**Romanian Central Depositary**").
C.13, C.6	*An indication as to whether the securities offered are or will be the object of an application for admission to trading on a regulated market and the identity of all the regulated markets where the securities are or are to be traded.*	The Shares have been admitted to trading on Tier 1 (currently Premium Category) of the Spot Regulated Market of the Bucharest Stock Exchange since 25 January 2011 and are traded in RON.
C.13, C.7	*A description of dividend policy.*	Under current Romanian legislation and the Articles of Association, each Share gives its owner the right to receive cash distributions (in the form of dividends or other types of cash distributions, such as return of capital). Cash distributions are paid to the shareholders on a pro rata basis, proportionately to their participation in the paid up share capital of the Fund. According to the Companies Law, no distribution of profits can be made if the net assets of the Fund are lower than the share capital. In June 2014 the FSA issued an official interpretation whereby the Fund's ability to distribute dividends must be established based on the concept of "total shareholders' equity" calculated in accordance with Regulation 4/2011 of the National Securities Commission (the "**NSC**") (currently merged into the FSA) regarding accounting rules compliant with the IVth EU Directive (78/660/EEC) applicable to the entities authorised, regulated and supervised by the NSC (the "**Accounting Regulation**"). Following the FSA interpretation, dividend distributions could not be made to shareholders as at 31 December 2014, because the Fund’s shareholders' equity calculated in accordance with the Accounting Regulation is lower than the share capital of the Fund. The Fund Manager is committed to returning cash to shareholders on an annual basis (subject to applicable law and the necessary approvals). 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 necessary resolution.
	Information about the global depositary receipts	
C.14, C.1	*A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number.*	The Fund intends to apply for admission to trading to the Specialist Fund Market ("**SFM**") of the London Stock Exchange plc (the "**London Stock Exchange**") of up to 81,228,524 GDRs, representing Shares, with one GDR representing 50 Shares ("**Admission**"). The GDRs will be issued from time to time against the deposit of Shares (to the extent permitted by law) with Raiffeisen Bank S.A. (the "**GDR Custodian**"), as custodian for the GDR Depositary. The GDRs will be issued pursuant to a deposit agreement dated on or around 27 April 2015 between the Fund and the GDR Depositary

		(the "**GDR Deposit Agreement**"). Un-conditional trading in the GDRs on the SFM is expected to commence on or about 8 a.m. on 29 April 2015. All dealings in the GDRs prior to the commencement of unconditional trading will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned. The security code numbers and trading symbols of the GDRs are as follows: Regulation S GDR Common Code: 121643294 Regulation S GDR ISIN: US34460G1067 Regulation S GDR CUSIP: 34460G106 Regulation S GDR SEDOL: BWV69Y7 London Stock Exchange GDR trading symbol: FP.
C.14, C.2	*Currency of the securities issue.*	The currency of the GDRs is US dollars.
C.14, C.4	*A description of the rights attached to the securities.*	One GDR represents 50 Shares on deposit with the GDR Custodian and registered in the name of the GDR Depositary (the "**Deposited Shares**"). A GDR holder (each, a "**GDR Holder**") will have the rights set out in the terms and conditions of the GDRs (as endorsed on each GDR certificate) and the Regulation S Master GDR (the "**Master GDR**"), which may be summarised as: the right to withdraw the Deposited Shares and all rights, interests and other securities, property and cash deposited with the GDR Custodian which are attributable to the Deposited Shares; the right to receive payment in US dollars from the GDR Depositary of an amount equal to cash dividends or other cash distributions received by the GDR Depositary from the Fund in respect of the Deposited Shares; the right to receive from the GDR Depositary any dividend or distribution in the form of property other than Shares or cash received by the GDR Depositary from the Fund (or if such distribution is deemed by the GDR Depositary not to be reasonably practicable or to be unlawful, the net proceeds in US dollars of the sale of such property); the right to request the GDR Depositary to exercise subscription or similar rights made available by the Fund to holders of Shares (or if such process is deemed by the GDR Depositary not to be lawful and reasonably practicable, the right to receive the net proceeds in US dollars of the sale of the relevant rights or the sale of the assets resulting from the exercise of such rights); the right to instruct the GDR Depositary regarding the exercise of any voting rights notified by the Fund to the GDR Depositary subject to conditions; and the right to receive from the GDR Depositary copies received by the GDR Depositary of notices provided by the Fund to holders of Shares or other material information, enter in each case subject to applicable law, and the detailed terms set out in the terms and conditions of the GDRs (as endorsed on each GDR certificate) and the Master GDR.
C.14, C.5	*A description of any restrictions on the free transferability of the securities.*	The GDRs will be subject to certain customary transfer restrictions under the relevant laws in certain jurisdictions applicable to the transferor or transferee, including the United Kingdom, the European Economic Area (the "**EEA**") and other jurisdictions. The GDR Depositary shall refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in a violation of any applicable laws. Each purchaser of GDRs offered in reliance on Regulation S under the United States Securities Act of 1933 (the "**Securities Act**")

		("**Regulation S**"), by accepting delivery of this Prospectus, will be deemed to make certain representations to ensure compliance with the applicable securities laws of the United States.
C.14	*Describe the exercise of and benefit from the rights attaching to the underlying shares, in particular voting rights, the conditions on which the issuer of the depository receipts may exercise such rights, and measures envisaged to obtain the instructions of the depository receipt holders – and the right to share in profits and any liquidations surplus which are not passed on to the holder of the depository receipt.* *Description of the bank or other guarantee attached to the depository receipt and intended to underwrite the issuer's obligations.*	The GDR Deposit Agreement and the terms and conditions of the GDRs set out the provisions relating to the exercise of, and benefit from, the rights attaching to the Shares. With respect to voting of Deposited Shares and other property represented by GDRs, the terms and conditions of the GDRs and the GDR Deposit Agreement provide that, if instructed by the Fund, the GDR Depositary shall send to any person who is a GDR Holder on the record date established by the GDR Depositary for that purpose voting materials and instructions for voting. The GDR Deposit Agreement and the terms and conditions of the GDRs provide that the GDR Depositary will endeavour to exercise or cause to be exercised the voting rights with respect to Deposited Shares in accordance with the voting instructions it has received from GDR Holders. Not applicable. There are no bank or other guarantees attached to the GDRs.
	Section D – Risks	
D.1, D.2, D.4	*Key information on the key risks that are specific to the issuer or its industry*	Key risks related to the Fund • Changes in the legislative framework and the uncertainties related to the Romanian judicial system may impact on the Fund's NAV and business. • The failure of the Fund Manager and of other service providers to perform their obligations to the Fund may significantly disrupt the Fund's NAV and business. • Failure by the Fund Manager to observe its policies on conflicts of interest may have a detrimental impact on the Fund's NAV and business. • The resolutions of the Fund's corporate bodies may be subject to legal challenges by shareholders or by other interested parties. Key risks related to the investments of the Fund • The Fund's performance and the NAV will depend largely on the overall condition of the industries and markets in which the companies in the Fund's portfolio operate especially the oil and gas industry and the electricity industry. • The Fund has limited protection of its NAV and business from the poor performance of, or insolvency or similar proceedings applicable to, the companies in its portfolio. • The Fund may face difficulties in implementing its investment policy and strategy. • The Fund may face difficulties in identifying or acquiring investments and in diversifying its investments. • An important part of the Fund's assets are not liquid. • Government intervention in the decision making process regarding the companies of national importance may adversely affect the performance of the Fund's portfolio.

D.5, D.3	*Key information on the key risks that are specific to the securities.*	Because there has been no trading market for the GDRs, the Admission may not result in an active or liquid market for the GDRs. GDR Holders in certain jurisdictions may not be able to exercise their pre-emptive rights and ownership interests may therefore be diluted. The Fund may not pay dividends or cash distributions in the future and GDR Holders may be subject to limitations or delays in repatriating their earnings from distributions made on the underlying Shares. Following the Admission, holders of Shares may not be able to deposit the Shares in the Fund's GDR facility in order to receive GDRs, and changes in Romanian regulatory policy with respect to the placement and circulation of the Shares outside Romania in the form of GDRs may negatively affect the market for the GDRs. Voting rights with respect to the Shares represented by the GDRs are limited by the terms of the GDR Deposit Agreement and the relevant requirements of Romanian law.
Section E - Offer		
E.1	*The total net proceeds and an estimate of the total expenses of the issue/offer, including estimated expenses charged to the investor by the issuer or the offeror*	The Fund will not receive any proceeds, as there is no offer associated with the application for admission to trading of the GDRs under this Prospectus. The Fund expects to incur estimated expenses of up to RON 18,858,693 in connection with Admission.
E. 2a	*Reasons for the offer, use of proceeds, estimated net amount of the proceeds*	Not applicable. There is no offer associated with the application for admission to trading of the GDRs under this Prospectus.
E.3	*A description of the terms and conditions of the offer*	Not applicable. There is no offer associated with the application for admission to trading of the GDRs under this Prospectus.
E.4	*A description of any interest that is material to the issue/offer including conflicting interests*	Not applicable. There is no offer associated with the application for admission to trading of the GDRs under this Prospectus.
E.5	*Name of the person or entity offering to sell the security. Lock-up agreements: the parties involved; and indication of the period of the lock up*	Not applicable. There is no offer associated with the application for admission to trading of the GDRs under this Prospectus.
E.6	*The amount and percentage of immediate dilution resulting from the offer. In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer*	Not applicable. There is no offer associated with the application for admission to trading of the GDRs under this Prospectus.
E.7	*Estimated expenses charged to the investor by the issuer or the offeror*	Not applicable. No commissions, fees or expenses in connection with Admission will be charged to investors by the Fund. As described in the Terms and Conditions of the GDRs, the GDR Depositary will be entitled to charge certain fees to the GDR Holders.

RISK FACTORS

An investment in the GDRs involves a high degree of risk. You should carefully consider the following information about these risks, together with the information contained elsewhere in this Prospectus, before deciding whether to invest in the GDRs. Any of the following risks, individually or together, could have a material adverse effect on the Funds business, financial condition and results of operations, and the trading price of the GDRs, and you could lose all or part of your investment.

The Fund has described the risks and uncertainties that its management believes are material, but these risks and uncertainties may not be the only ones the Fund faces. Additional risks and uncertainties, including those about which the Fund is currently not aware or which it deems immaterial, could have the effects set forth above. Prospective investors should be aware that the value of the GDR and any income from them (if any) may go down as well as up and that investors may not be able to realise their initial investment.

Risks relating to the Fund

Risks arising from changes in the legislative framework

The Romanian legal system is constantly changing. The legal instability (triggered by factors such as the repeated and frequent changes in laws, including the ones directly impacting the Fund's business, the inconsistency of the provisions included in various laws, their inconsistent application by various competent authorities, etc) makes the Fund's economic results difficult to anticipate.

The existence, operation and even the initial structure of the Fund's portfolio are regulated by primary legislation, as well as by secondary legislation such as government decisions. Changes in law or regulations or changes in the interpretation of such laws or regulation may adversely affect the investment policy and objectives of the Fund, the performance of the Shares and returns to shareholders. There have been instances throughout the existence of the Fund where changes in laws have affected the Fund's portfolio composition and where the inconsistent interpretations of laws and regulations have affected the dividend policy. Moreover, taking into consideration that the Fund is organised as a closed-end investment company, changes in prudential regulations regarding the undertakings for collective investments organised as closed-end investment companies may also impact on the Fund's business.

In addition, the Fund might have difficulties in complying with the requirements of various newly issued laws and the effort of constantly adapting to the changing legal requirements might lead to significant additional costs, while possible future changes of the legal framework might adversely affect the Fund's activity and profitability. Most notably, Directive 2011/61/EU on alternative investment fund managers (the "**AIFM Directive**"), which regulates alternative investment fund managers ("**AIFM**") and imposes obligations on managers who manage alternative investment funds ("**AIF**") in the EU, is pending publication in the Official Gazette of Romania and is due to enter into force within 30 days thereafter. At this stage it is still unclear whether the Fund will qualify as an AIF under the Romanian law transposing the AIFM Directive. If it is concluded that the Fund qualifies as an AIF Franklin Templeton Investment Management Limited, United Kingdom, acting as the Fund's manager (the "**Fund Manager**"), will be required either to seek authorisation in the United Kingdom and make use of the AIFM Directive passport to manage the Fund or to propose the shareholders of the Fund to appoint another entity from Franklin Templeton group that is already authorised under the AIFM Directive. The managers of an AIF need to comply with the provisions of the law implementing AIFM Directive within 12 months after the law enters into force. If the Fund Manager elects not to, fails to, or is unable to implement any of the solutions described above within 12 months after the law for implementing the AIFM Directive enters into force, it may be unable to continue to manage the Fund and the Fund will need to appoint a new manager which is duly authorised to carry out investment management business in Romania under the AIFM rules.

Failure by the Fund Manager and other service providers to the Fund to perform their obligations could materially disrupt or damage the business of the Fund with adverse effects on its business or performance

The Fund does not have any employees and, therefore, relies upon third-party service providers to perform its executive functions. In particular, the performance of the Fund is reliant on the Fund Manager. The ability of the Fund to successfully pursue its investment policy is significantly dependent upon the expertise of the Fund Manager and the principal members of its management team. The loss of any member of the Fund Manager's management team could reduce the Fund's ability to successfully pursue its planned investment policy. Also the retention of such persons cannot be guaranteed, and a transition period might adversely affect the business of the Fund and its investment objectives.

If the management agreement with the Fund Manager is terminated, the Fund may not be able to replace it with an investment manager of similar experience. This may adversely affect the Fund's business, profit and prospects. Moreover, any delay in engaging a new investment manager may have negative impacts on the business of the Fund and its investment objectives.

In addition, the Sole Director and the Fund's depositary and custodian (the "**Custodian**") will be performing services which are integral to the operation of the Fund. Failure by any service provider to carry out its obligations to the Fund in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Fund and could affect the ability of the Fund to meet its investment objectives.

Risk of insolvency of the Custodian

In the event that the Custodian became insolvent, cash held on behalf of the Fund would face the same risks as for cash with banks generally, as described in "*Risks of insolvency of banks holding Fund's cash*" below.

In respect of non-cash assets held in custody, the applicable Romanian legislation requires the Custodian to keep such non-cash assets segregated from its own or other clients' assets and the Custodian has undertaken such obligation also in the agreement with the Fund (please see section "*Material Contracts – Contracts with service providers – Depositary/Custody Agreement*"). Furthermore, Romanian legislation makes clear that non-cash assets held in custody would not be available to satisfy the claims of the Custodian's creditors generally. Rather, non-cash assets held in custody would be transferred into an account maintained by another custodian appointed by the Fund.

However, if the Custodian breaches the requirements under the applicable Romanian legislation and does not maintain the segregation of assets, there is a risk that such assets would not be protected in case of insolvency of the Custodian and the Fund would have only an unsecured claim for the value of the assets and may be unable to recover some or all of the relevant assets.

Risks of insolvency of banks holding Fund's cash

In the event of a bank's insolvency, cash held on deposit becomes an unsecured claim in the insolvency proceedings and must compete alongside the claims of other creditors for a limited pool of assets. Therefore, in the event that a bank holding the Fund's cash became insolvent, the Fund might not recover some or all of these amounts. Furthermore, the vast majority of cash received by the Fund is denominated in RON; the range of banks offering RON deposit-taking services, and the quality of their credit ratings, is limited compared to more developed markets.

Risks related to potential conflicts of interest

The Fund Manager and its affiliates may from time to time act for other clients or manage other funds, which have a similar or different investment objective and policy to that of the Fund. In particular, the Fund Manager serves as manager to other funds with similar investment policies and may give advice to take action with respect to such other clients that differs from the advice given with respect to the Fund due, for example, to differing investment objectives of the clients or differing perspectives of the different investment personnel involved on behalf of the Fund Manager. Circumstances may arise where investment opportunities will be available to the Fund which are suitable for one or more such clients of the Fund Manager or funds managed by the Fund Manager. The Fund Manager has policies in place to identify and manage such conflicts with a view to ensuring that investment orders are placed and allocated in a manner which is fair to all clients. Failure by the Fund Manager to properly observe these policies could have a materially detrimental impact on the operation of the Fund and on its ability to meet its investment objectives.

Risks related to legal challenges against the decisions passed by the Fund's shareholders' meetings or other corporate bodies

Recent court practice on the annulment/nullity of decisions passed by the general shareholders' meeting or other corporate bodies is conflicting and lacks a common court position, a peculiarity which is also sustained by legislative inconsistency (especially discrepancies between the general provisions applicable to all companies and those instituting a special regime for listed companies) and legal texts which are subject to conflicting interpretation. The special regime applicable to the Fund which is to be applied in correlation with the general provision applicable to any joint stock company, as well as with the special provisions applicable to a listed company, which has been registered as a closed-end investment fund, creates additional premises for legal inconsistency. Under these circumstances and taking into account the conflicting court practice, the risk of a successful annulment/nullity in court of the decisions passed by the Fund's general shareholders' meeting or by other corporate body of the Fund may not be ruled out. Depending on the grounds, a shareholders' resolution may be challenged for relative nullity within 15 days as of the publication of the resolution with the Official Gazette of Romania and for absolute nullity at any time after the publication of the resolution with the Official Gazette of Romania.

Certain minority shareholders of the Fund have individually filed claims in court against the Fund on various grounds, including for the cancellation of certain resolutions of the Fund's general shareholders' meeting and/or for blocking the registration of certain general shareholders' meeting resolutions with the Trade Registry. In one of these proceedings, the Bucharest Court of Appeal rejected the appeal filed by the Fund and partly admitted a claim to cancel certain general shareholders' meeting resolutions (relating to (*inter alia*) the approval of the new articles of association of the Fund and the first appointment of the Fund Manager). This decision is irrevocable, however it did not trigger the change of the Fund Manager as (i) the articles of association to which the court decision related were not the Articles of Association currently in force (subsequent amendments and restatements of the articles of association being adopted by the Fund's shareholders between 2010 and 2015) and (ii) subsequent resolutions passed by the Fund's shareholders between 2012 and 2015 specifically ratified and re-approved all of the points covered in the resolutions to which the above court decision related. However, the outcome of the ongoing legal proceedings cannot be determined and the final court ruling in certain or all of these proceedings may adversely affect the Fund's business, profit and prospects (including, for example, if the Fund Manager's mandate is cancelled).

Risks relating to the investments of the Fund

The Fund's investments are concentrated in a limited number of industry sectors

As at 31 December 2014, the Fund has an exposure of 43.7% of the NAV in companies in the oil and gas sector, while 44.9% of NAV represents investments in companies from the electricity sector (including generation, distribution and supply). Therefore, the Fund's performance and the NAV will depend largely on the overall condition of the industries and markets in which the companies in the Fund's portfolio operate especially the oil and gas industry and the electricity industry.

Risks related to the oil and gas industry sectors

Historically, international crude oil and natural gas prices have fluctuated widely. For example, oil prices experienced a significant decline from the second half of 2014, with Brent prices falling from USD 115 per barrel as at 1 June 2014 to USD 61.82 per barrel as at 22 April 2015. A sustained decline in the real price of oil for an extended period of time could have a material adverse effect on the results of operations of the companies operating in the oil and gas industry. Furthermore, the oil price decline may lead such companies to alter, and in particular to reduce, their investments, which would negatively impact their business, results of operations and financial condition and consequently have an adverse effect on the Fund's NAV and/or the market price of the GDRs.

In addition, companies operating in the oil and gas industry are exposed to changes in the immediate future on the royalty and tax regimes applicable to oil and gas production in Romania. In December 2014, the Romanian legal provisions governing the current royalty and tax regime on oil and gas production have expired but the Romanian Government postponed any changes until 2016. Thus, the Romanian Government officials have announced that a new royalty and tax system for the upstream oil and gas industry will be enacted during 2015 and will come into effect starting on 1 January 2016.

Should the new system provide for increases in taxes and royalties, this would adversely affect the business, results of operations and financial condition of the companies from the Fund's portfolio operating in the oil and gas industry and consequently have an adverse effect on the Fund's NAV and/or the market price of the GDRs.

Risks related to the electricity sector

The companies in the Fund's portfolio operating in the electricity sector are subject to tariffs on the Romanian regulated market as set by ANRE. The regulator may delay or refuse to approve electricity tariffs or the tariffs approved by ANRE may not reach the levels required to match the relevant companies' expected return on capital expenditure. In particular, the companies in the electricity sector may not be able to operate at the level of efficiency assumed by ANRE. In addition, they may not receive approval to increase tariffs for any given regulatory period and/or regulated tariffs may be set at a level which would prevent the relevant companies from maintaining or improving their margins.

Any adverse change in regulated tariffs set by ANRE, as well as a failure by the companies within the electricity sector to meet operating and financial targets set by ANRE could have a material adverse effect on their business, results of operations, financial condition and prospects and consequently have an adverse effect on the Fund's NAV and/or the market price of the GDRs.

Risks related to poor performance of smaller and/or poorly managed companies in the Fund's portfolio

There is no limitation on the size of the companies in which the Fund invests. Many small companies in which the Fund holds participations may lack management depth or need substantial capital to support expansion or to achieve or maintain a competitive position, and there can be no assurance that the Fund will have the necessary capital to provide in relation to future capital needs of a company in the Fund's portfolio or that other sources of financing will be available. In addition, certain companies in which the Fund invests may be poorly managed, lack sound corporate governance rules or do not provide appropriate or reliable information about their operations, including financial reporting, forecasts and budgets. Such companies may face intense competition from larger or better managed companies and thus entail a greater risk than investment in larger companies.

The Fund's business and performance may also be affected by the involvement of the Romanian government in the management of the state-owned companies in which the Fund holds shares.

Poor performance of smaller and/or poorly managed companies in the Fund's portfolio may adversely affect the Fund's NAV.

Potential difficulties in implementing the Fund's strategy related to the companies in the Fund's portfolio

Currently, the Fund does not hold controlling positions in most of the companies in the Fund's portfolio. As a consequence, any potential strategies envisioned by the Fund for the improvement of the corporate governance in the companies in the Fund's portfolio or related to a prospective listing thereof may prove difficult to implement and requires the cooperation and support of the controlling shareholders of such companies. Hence, the successful implementation of the Fund's strategy for the majority of the companies in the Fund's portfolio does not depend exclusively on the Fund's own decision. The difficulties in implementing the Fund's strategy related to the companies in the Fund's portfolio may adversely affect the Fund's business, profit and prospects.

Risks related to implementation of the Fund's investment policy and strategy

Successful pursuit of the Fund's investment policy will depend on the Fund Manager's ability to identify, acquire and realise investments in accordance with the Fund's investment policy. There can be no assurance that the Fund Manager will be able to do so or that the Fund will be able to invest its assets on attractive terms or avoid investment losses.

The Fund Manager will seek to diversify the portfolio, but such diversification may not be achieved if the investment opportunities or assets available for investment are insufficient. Diversification of the Fund's investments is intended to reduce the Fund's exposure to adverse events associated with specific investments; however, the Fund's returns as a whole may be adversely affected by the unfavourable performance of even a single asset or asset class or market segment.

Risks related to the liquidity of investments held by the Fund

Because the investments comprising the portfolio may be illiquid, mainly due to the fact that a great part of the companies in the Fund's portfolio are unlisted or if listed have not developed a liquid market, it may be difficult to sell if the need arises. If the Fund is required to liquidate all or a portion of an investment quickly, it may realise significantly less than the value at which the investment was previously recorded, which may lead to the inability of the Fund to raise sufficient cash in order to invest in more profitable assets.

Risks related to the NAV fluctuations in the monthly reports

The Fund may experience fluctuations in the NAV value from month to month as net asset values may be subject to changes due to a number of factors, including changes in the values of the Fund's investments, which in turn could be owing to changes in values of the companies in the Fund's portfolio, changes in the amount of distributions, dividends or interest in respect of investments, changes in the Fund's operating expenses. Such variability may lead to volatility in the trading price of the Shares and cause the Fund's results for a particular period not to be indicative of the Fund's performance in a future period.

Risks related to insolvency, liquidation, dissolution, reorganisation or bankruptcy of the companies in the Fund's portfolio

In the event of insolvency, liquidation, dissolution, reorganisation or bankruptcy of a company in the Fund's portfolio, the creditors of such company would typically be entitled to receive payment in full before distributions could be made in respect of the Fund's investment. After repaying the creditors' receivables and any other senior debt, the relevant company in the Fund's portfolio may not have sufficient remaining assets to distribute to shareholders or to repay amounts owed in respect of the Fund's investment, if any.

Risks related to holdings in majority State-owned companies

The Fund holds a number of significant holdings in companies that are majority State-owned. Past experience indicates that management of these companies is often replaced whenever there are government changes. As a result, developing and implementing a long-term strategy for these companies may take longer and be more difficult than in the case of private companies, which may affect the financial results of such companies in the Fund's portfolio and the Fund's overall performance.

The Romanian state could make use of its voting power in the shareholders' meetings of the companies it controls to impose decisions that are detrimental to the interests of minority shareholders and/or other stakeholders. For example, in August 2010, the Romanian Government issued an ordinance according to which several state-controlled companies could donate certain amounts to the Romanian state budget in 2010. On 30 November 2010, at a shareholders' meeting of Societatea Nationala de Gaze Naturale "Romgaz" S.A. ("**Romgaz**") (in which at the time the Romanian State held 85% and the Fund held 15% of the share capital), based exclusively on the positive vote cast by the Romanian State it was decided, despite the Fund's objections, that Romgaz would donate RON 400 million to the State's budget. Such resolution had a significant adverse effect on the Fund considering its position of minority shareholder in Romgaz. It is possible that further similar actions could occur in future in relation to State-controlled companies in the Fund's portfolio.

Risks of Government intervention in the Fund's investment strategy

Certain of the State-owned companies in which the Fund holds a significant shareholding (such as the energy companies) have national importance and are subject to national development strategies. Should the Fund intend to divest its holdings in such nationally strategic companies, the prior consent of the Romanian Government or other relevant authority may be necessary, which may cause delays in the Fund's investment decision making process and may adversely affect the performance of the portfolio.

Risks relating to Romania

There are certain risks associated with an investment in developing markets, including Romania, which may be greater than risks inherent in more developed markets

An investment in a country such as Romania, which joined the EU in 2007, but which is still a developing market, is subject to greater risks than an investment in a country with a more developed economy and more developed political and legal systems. Although progress has been made in reforming Romania's economy and political and legal systems, the development of Romania's legal infrastructure and regulatory framework is still ongoing. As a consequence, an investment in Romania carries risks that are not typically associated with investing in more mature markets. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, an investment in a Romanian fund is appropriate. Generally, investments in developing countries, such as Romania, are only suitable for sophisticated investors who can fully appreciate the significance of the risks involved.

In addition, international investors' reactions to events occurring in one country sometimes demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by international investors. Therefore, investment in the Fund could be adversely affected by negative economic or financial developments in other countries. There can be no assurance that conditions resulting from any crises similar to the global financial and economic crisis that started in 2008 or the recent political turmoil in Europe, the Middle East and Africa will not negatively affect the economic performance of, or investor confidence in, developing markets, including Romania.

Political and economic uncertainty could affect the value of investments in Romania as well as the value of the GDRs

Romania has undergone major changes during its recent history. Many political and economic reforms have taken place, but Romania's economy still has a number of structural weaknesses. These include reliance on industrial sector exports and a current account imbalance, each of which may affect Romania's creditworthiness.

The present configuration of the Romanian political scene is mainly shaped by the results of the last parliamentary elections that took place in December 2012 and the presidential elections that took place in November 2014.

In December 2012, the Social Liberal Union (USL), composed at that time of the Social Democratic Party (PSD) and the National Liberal Party (PNL), won the parliamentary elections, which ensured that Victor Ponta was appointed as Prime Minister once again in December 2012, as he had in May 2012. The governing coalition of the Social Liberal Union (USL) split up in February 2014, with the National Liberal Party (PNL) exiting the governing coalition. Whilst moving into opposition, the National Liberal Party (PNL) has merged with the Liberal Democrat Party (PDL), the unified right wing coalition ultimately proposing Klaus Werner Iohannis as unique candidate for the presidential elections which took place in November 2014.

Klaus Werner Iohannis won the presidential elections in front of the social democrat candidate Victor Ponta, the incumbent Prime Minister. Despite his loss in the presidential elections, in December 2014 Victor Ponta was reconfirmed by the Parliament as Prime Minister.

In the context presented, political differences may arise between the newly elected President and the Government, possibly leading to further domestic political turmoil and social disruption. Moreover, the new right wing opposition is focusing on creating a new majority in the Parliament, which could ultimately lead to a replacement of the current Government. Furthermore, the Government may not continue implementing the policies of addressing structural challenges in the Romanian economy.

Any political and economic uncertainty may affect the Fund and its investments, the vast majority of which are in Romanian assets.

Political instability in Ukraine could materially and adversely affect Romania

Recent military conflict in Ukraine resulted in a negative impact in the region and across emerging markets. Romania has a significant land border with Ukraine and, as a result, ongoing instability or military conflicts in Ukraine could have a significant and adverse effect on Romania's economic and financial stability either directly or indirectly as a result of sanctions or restrictions in gas exports from Russia. Any escalation of the conflict would heighten the risk of significant unfavourable consequences, both indirectly – through knock-on effects on Romania's EU trade partners – and directly, through financial flows. As a consequence, the increase of this conflict could generate negative indirect effects particularly on Romanian exports, through the impact it might have on the external demand from the European Union, Romania's main trading partner. Moreover, such escalation would have unfavourable consequences on investors' appetite, with a dampening impact on new investment projects, as well as on the exposures to Romania of financial institutions carrying out cross-border activities in Ukraine and/or Russia.

The prolongation of the conflict in Ukraine might induce, directly or via the fluctuations in the global risk appetite, changes in the dynamics of the economic activity and the inflation behaviour in the euro area and the countries in the region – implicitly in the evolution of Romania's exports and import prices –, as well as changes in the capital flows channelled to the Romanian economy. Therefore, the geopolitical uncertainties in Ukraine could have a significant influence in relation to the international energy prices.

Risks relating to global events

In 2010, a sovereign financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these states to continue to service their sovereign debt obligations. These concerns impacted financial markets and resulted in high and volatile bond yields on the sovereign debt of many EU nations. Despite the creation of a joint EU-International Monetary Fund European Financial Stability Facility in May 2010, assistance packages to Greece, Ireland and Portugal, and announced plans in the summer of 2011 to expand financial assistance to Greece, uncertainty over the outcome of the EU governments' financial support programmes and worries about sovereign finances persisted and, notwithstanding increased purchases of sovereign bonds by the European Central Bank and measures taken by other central banks to enhance global liquidity, ultimately spread from "peripheral" to "core" EU member states during the latter part of 2011. In December 2011, European leaders agreed to implement steps (and continue to meet regularly to review, amend and supplement such steps) to encourage greater long term fiscal responsibility on the part of the individual member states and bolster market confidence in the euro and European sovereign debt. The ongoing uncertainty about the direction of European fiscal policies and fears of a renewed possible breakup of the European Union through certain countries leaving the Union continue to add volatility to the markets, especially for countries with strong links to Europe.

Investors should ensure that they have sufficient knowledge and awareness of the global financial crisis, the Eurozone crisis and the economic situation and outlook in Romania as they consider necessary to enable them to make their own evaluation of the risks and merits of an investment in the GDRs. In particular, investors should take into account the current uncertainty as to how the global financial crisis, the Eurozone crisis and the wider economic situation will develop over time and how they will affect the Romanian economy.

Corruption and money laundering could disrupt the ability of the companies within the Fund's portfolio to conduct business and could materially adversely affect their business, financial condition, results of operations and prospects with a direct effect on the Fund's NAV

Although progress was made in the field of money laundering by the passing of important laws needed to fully transpose the provisions of Directive 2005/60/EC of the European Parliament and Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and of Commission Directive 2006/70/EC regarding politically exposed persons, independent analysts and media reports have identified corruption and money laundering as problems in Romania. In the 2014 Transparency International Corruption Perceptions Index, which evaluates data on corruption in countries throughout the world and ranks countries from 1 (least corrupt) to 175 (most corrupt), Romania was ranked 69th.

In its thirteenth report under the Cooperation and Verification Mechanism (CVM) with Romania, published in January 2014, the European Commission (the "**EC**") recognised that Romania made progress in many areas since the previous CVM reports but noted that although the history of the CVM advances in one area, it can be constrained or negated by the setbacks. Nevertheless, it also noted progress in the judicial reform and the fight against corruption. In the CVM Report issued in January 2015, the EC highlighted that the actions taken by the key judicial and integrity institutions to address high-level corruption had maintained an impressive momentum. At the same time, the EC noted that decisions in the Romanian Parliament on whether to allow the prosecution to treat parliamentarians like other citizens still seemed to lack objective criteria and a reliable timetable and the Parliament had also provided examples of reluctance to apply final court decisions. The final section of the 2015 CVM Report contains 15 recommendations under four themes: (i) judicial independence; (ii) judicial reform; (iii) integrity and (iv) the fight against corruption.

Any future allegations or evidence of corruption or money laundering in Romania may have an adverse effect on the Romanian economy, and in turn could materially adversely affect business, financial condition, results of operations and prospects of the companies in the Fund's portfolio, with a direct negative consequence on the Fund's NAV.

Romania may face difficulties related to its post-accession process to the European Union

Romania joined the EU in January 2007, and is still subject to certain post-accession benchmarks mandated by the EU under the Cooperation and Verification Mechanism to help Romania address certain shortcomings in various social fields such as judicial reform and fight against corruption. If Romania does not adequately address these benchmarks the EU is entitled to apply certain sanctions against Romania, including the suspension of EU member states' obligation to recognise and enforce, under the conditions laid down in the EU laws, the decisions of Romanian courts. The application of any of the sanctions referenced above may have a negative effect on the Romanian economy and investor confidence in the Romanian economic environment, which could lead to material adverse consequences on the Fund's NAV.

The Romanian judicial system and Romanian legislation continue to develop and this may create an uncertain environment for investment and for business activity

The uncertainties relating to the Romanian judicial system could have a negative effect on the economy and thus create an uncertain environment for investment and for business activity. The court system is underfunded compared to more mature jurisdictions. As Romania is a civil law jurisdiction of French origin, judicial decisions under Romanian law generally have no precedential effect. For the same reason, courts are generally not bound by earlier court decisions taken under the same or similar circumstances, which can result in the inconsistent application of Romanian legislation to resolve the same or similar disputes.

Furthermore, to date only a relatively small number of judicial decisions have been publicly available and, therefore, the role of judicial decisions as guidelines in interpreting applicable Romanian legislation to the public at large is generally limited. The Romanian judicial system has gone through several reforms to modernise and strengthen the independence of the judiciary. However, these reforms do not go far enough to effectively tackle the problem of non-unified jurisprudence. The new procedure codes introduce a new mechanism for unifying jurisprudence, but effective measures to achieve the envisaged results are still ongoing. The uncertainties pertaining to the Romanian judicial system could have a negative effect on the economy and thus on the business, results of operations, financial condition and prospects of the companies in the Fund's portfolio.

Risks relating to the GDRs

Because there has been no trading market for the GDRs, the Admission may not result in an active or liquid market for the GDRs

Prior to Admission, there has been no trading market for the GDRs. Although the Fund will apply to the London Stock Exchange for the GDRs to be admitted to trading on the SFM, an active trading market may not develop or be sustained after Admission. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. If a liquid trading market for the GDRs does not develop, the price of the GDRs may become more volatile and it may be more difficult to complete a buy or sell order for the GDRs.

Price volatility of the GDRs and liquidity may affect the performance of investments in the Fund

The share or GDR price of listed companies can be highly volatile and their shares and GDRs may have limited liquidity. An active trading market for the GDRs may not develop and the trading price for the GDRs may fluctuate significantly.

Equity market conditions are also affected by many factors, such as the general economic, political or regulatory outlook, movements in or the outlook for interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand for and supply of capital. Trading in the GDRs by other investors, such as large purchases or sales of GDRs, may also affect the price of the GDRs. Accordingly, the market price of the GDRs may not reflect the underlying value of the Fund's investments and the price at which investors may dispose of their GDRs at any point in time may be influenced by a number of factors, only some of which may pertain to the Fund while others may be outside the Fund's control.

The Shares are traded and may continue to be traded at a discount to the NAV per share.

As at 22 April 2015, the Shares are trading on the Bucharest Stock Exchange at a NAV discount of 22.26%. Since the Fund's listing on the Bucharest Stock Exchange, the NAV discount has been narrowing, mainly as a result of the concrete steps taken by the Fund Manager to create value and reduce the NAV discount (such as the decrease of the unlisted portfolio and five rounds of buybacks).

Although the discount to the NAV per share has narrowed, the market price of the Shares still does not fully reflect the underlying value of the Fund's portfolio and the price at which investors may dispose of their Shares or GDRs at any point in time may be negatively influenced by the level of the NAV discount.

GDR Holders in certain jurisdictions may not be able to exercise their pre-emptive rights and ownership interests may therefore be diluted

In order to raise funding in the future, the Fund may issue additional Shares, including in the form of GDRs. Generally, existing holders of ordinary shares in Romanian companies are in certain circumstances entitled to pre-emptive rights on the issue of new ordinary shares in that Fund as described in "*Description of Share Capital and Corporate Structure*". However, GDRs Holders in certain jurisdictions may not be able to exercise pre-emptive rights with respect to any new equity issuances by the Fund unless the applicable securities law requirements in such jurisdiction are adhered to or an exemption from such requirements is available. The Fund is unlikely to adhere to such requirements and an exemption may not be available. Accordingly, such GDR Holders may not be able to exercise their pre-emptive rights on future issuances of the GDRs, and, as a result, their percentage ownership interests in the Fund would be reduced.

A suspension of trading in the Shares could affect the price of the GDRs

The Romanian FSA is authorised to suspend or request the relevant regulated market on which securities are admitted to trading to suspend such securities from trading for a period not exceeding 10 business days, if the relevant issuer's situation is such that continued trading would be detrimental to investors' interests. The Romanian FSA is further authorised to instruct the Bucharest Stock Exchange to suspend trading in an issuer's securities in connection with measures taken against market manipulation and insider trading. The Bucharest Stock Exchange is required to suspend trading in securities which no longer comply with the rules of the regulated market unless such a step would likely cause significant damage to investors' interests or the market's orderly functioning. In addition, if the Bucharest Stock Exchange does not do so, the Romanian FSA can also demand the suspension of trading in securities if it is in the interest of the orderly functioning of the market and does not impair investors' interests. Under extraordinary circumstances, upon the issuer's request and exclusively in order to prevent the use of non-public information prior to its official release, the Bucharest Stock Exchange and the Romanian FSA may by common agreement decide to suspend trading in the requesting issuer's securities for a determined period of time. Upon receiving reports containing information on corporate events likely to significantly influence the securities' price or yield or the decision to invest, the Bucharest Stock Exchange may decide to suspend such securities from trading for at least 30 minutes from the distribution of such reports until the end of the trading session. In exceptional cases, the Bucharest Stock Exchange may suspend trading for a longer period of time, over one or more trading sessions, in order to ensure the protection of investors or the maintaining of an orderly market.

The Bucharest Stock Exchange will suspend trading whenever general meetings of shareholders, or board of directors' meetings deliberating on matters delegated from the extraordinary general meetings of shareholders, are convened. Frequent suspensions of trading in the Shares may limit the investors' possibility to sell the shares when they want. Any suspension of trading in the Shares could affect the GDR price.

The Fund may not pay dividends or cash distributions in the future and GDR Holders may be subject to limitations or delays in repatriating their earnings from distributions made on the underlying Shares

The Fund may be unable to maintain the level of dividends to be paid and investors may not receive the expected dividends upon the occurrence of extraordinary events, such as change in domestic and foreign economic conditions, increased operational expenses, changes in the laws and rules regarding assets, natural disaster and political situation. Furthermore, under Law no. 31/1990, as subsequently amended and supplemented (the "**Companies Law**"), the Fund may not distribute dividends in case of a loss in the net asset value is registered save where the share capital is increased or reduced accordingly.

The payment of dividends, if any, by the Fund to its shareholders and holders of the GDRs will depend on (in addition to applicable regulatory requirements), among other things, the Fund's future profits, financial position and capital requirements, the sufficiency of the Fund's distributable reserves, credit terms, general economic conditions and other factors that the directors and/or shareholders deem to be important from time to time. Should the Fund's shareholders decide against declaring dividends in the future, the price of the GDRs may be adversely affected.

The Fund anticipates that any dividends that it may pay in the future in respect of the Shares held by its shareholders or by the GDR Depositary or its nominee on behalf of GDR Holders will be declared and paid in RON, and in the case of the GDRs will be paid to the GDR Depositary and will be converted into US dollars by the GDR Depositary and distributed to GDR Holders, net of all fees, taxes, duties, charges, cost and expenses which may become or have become payable under the GDR Deposit Agreement or under applicable law in respect of such GDRs.

Accordingly, the value of dividends received by foreign shareholders would be subject to fluctuations in the exchange rate. Similarly, the value of dividends received by GDR Holders will be subject to fluctuations in the exchange rate between the RON and the US dollar. Such fluctuations could have an adverse effect on the price of the GDRs.

Furthermore, even though current Romanian legislation permits distributions in RON to be converted into US dollars by the GDR Depositary without restriction, the ability to convert RON into US dollars is subject to the availability of US dollars in Romanian currency markets. Although there is an existing, albeit limited, market within Romania for the conversion of RON into US dollars, including the interbank currency exchange and over-the-counter and currency futures markets, further development of this market is uncertain. Furthermore, the National Bank of Romania could also impose certain restrictions and requirements with respect to foreign currency operations carried out in Romania.

In addition, dividends that the Fund may distribute to the GDR Depositary will be subject to applicable Romanian withholding taxes. See "*Taxation*".

Following the Admission, holders of Shares may not be able to deposit the Shares in the Fund's GDR facility in order to receive GDRs, and changes in Romanian regulatory policy with respect to the placement and circulation of the Shares outside Romania in the form of GDRs or otherwise may negatively affect the market for the GDRs

Whenever the GDR Depositary believes that the Shares deposited with it against issuance of GDRs represent (or, upon accepting any additional shares for deposit, would represent) a percentage exceeding any limit established by any applicable law, directive, regulation or permit, or trigger any condition for the making of any filing, application, notification or registration or for obtaining any approval, licence or permit under any applicable law, directive or regulation, or for taking any other action, the GDR Depositary may (i) close its books to deposits of additional Shares to prevent such thresholds or limits being exceeded or conditions being satisfied or (ii) take such steps as are, in its opinion, necessary or desirable to remedy the consequences of such thresholds or limits being exceeded or conditions being satisfied and to comply with any such law, directive or regulation, including, without limitation, causing pro rata cancellation of GDRs and withdrawal of the Shares from the Fund's GDR facility to the extent necessary or desirable to so comply.

Romanian securities regulations provide that no more than one third of the aggregate number of shares issued by the relevant Romanian company may be circulated in the form of GDRs. The FSA may grant exemptions from this rule where necessary to ensure that the minimum necessary conditions are met for the admission and maintenance to trading on a Romanian regulated market, depending *inter alia* on the relevant Romanian company's share capital and the shareholding structure.

There can be no assurance that the Fund will be able to obtain approval for a deposit of a greater number of the Shares with the GDR Depositary under the Fund's GDR facility. As a result, once these thresholds have been reached, it may not be possible to deposit the Shares with the GDR Depositary under the Fund's GDR facility to receive GDRs and under certain circumstances an investor may be required to withdraw Shares from the Fund's GDR facility, which may in either case affect the liquidity and the value of the GDRs.

In addition, the statutory and FSA regulations relating to the GDRs are not entirely clear in a number of respects, including the extent to which existing permissions are grandfathered following changes in regulations. Any adverse interpretation and/or application of these regulations may further limit the ability to deposit the Shares into the Fund's GDR facility.

The aforementioned restrictions have been recently enacted and may be subject to changes at any time in the future by the Romanian regulatory authorities, and there can be no assurance that changes by the authorities will not adversely affect the legality and/or size of the Fund's GDR facility, which could adversely affect the price of the GDRs.

Voting rights with respect to the Shares represented by the GDRs are limited by the terms of the GDR Deposit Agreement and the relevant requirements of Romanian law

The GDR Holders will have no direct voting rights with respect to the Shares represented by the GDRs. They will be able to exercise voting rights with respect to the Shares represented by the GDRs only in accordance with the provisions of the terms and conditions of the GDRs (the "**GDR Terms and Conditions**") and the relevant requirements of Romanian law. See "*Terms and Conditions of the Global Depositary Receipts*". There are, therefore, practical limitations upon the ability of the GDR Holders to exercise their voting rights due to the additional procedural steps involved in communicating with them.

To exercise their voting rights, the holders of the GDRs must instruct the GDR Depositary how to vote the Shares represented by the GDRs they hold. Because of this additional procedural step involving the GDR Depositary, the process for exercising voting rights may take longer for GDR Holders than for holders of the Shares, and the Fund cannot assure the holders of the GDRs that they will receive voting materials in time to enable them to return voting instructions to the GDR Depositary in a timely manner. The GDRs for which the GDR Depositary does not receive timely complete, legible and clear voting instructions will not be voted.

In addition, although Romanian securities regulations expressly permit the GDR Depositary to split the votes with respect to the Shares underlying the GDRs in accordance with instructions from GDR Holders, the relevant regulations were very recently enacted and there is no court or regulatory guidance on the application of such regulations. The GDR Holders may thus have significant difficulty in exercising voting rights with respect to the Shares underlying the GDRs.

There can be no assurance that GDR Holders and beneficial owners of GDRs will (i) receive notice of shareholders' meetings to enable the timely return of voting instructions to the GDR Depositary, (ii) receive notice to enable the timely cancellation of GDRs with respect to shareholder actions (as discussed below) or (iii) be given the benefit of dissenting or minority shareholders' rights with respect to an event or action in which the holder or beneficial owner has voted against, abstained from voting or not given voting instructions.

The GDR Depositary is only required to execute the voting instructions of the GDR Holders insofar as practicable and as permitted under applicable law. In practice, GDR Holders may not be able to instruct the GDR Depositary to: (i) vote the Shares represented by their GDRs on a cumulative basis; (ii) introduce proposals for the agenda of shareholders' meetings or request that a shareholders' meeting be called; or (iii) nominate candidates for the Sole Director position or certain other of the Fund's governance bodies such as the Board of Nominees. If GDR Holders wish to take such actions, they should request in a timely manner, that their GDRs be cancelled and instead take delivery of the Shares and thus become the owners of the Shares on the Fund's share register.

Payments on the GDRs may be subject to U.S. withholding under FATCA

The United States has enacted rules, commonly referred to as "**FATCA**", that generally impose a new reporting and withholding regime with respect to certain U.S. source payments (including dividends and interest), gross proceeds from the disposition of property that can produce U.S. source interest and dividends and certain payments made by entities that are classified as financial institutions under FATCA. The United States has reached a Model 1 intergovernmental agreement, in substance, regarding the implementation of FATCA with Romania (the "**IGA**"). The U.S. Department of Treasury has agreed to treat the IGA as being in effect provided that Romania continues to show firm resolve to sign the IGA as soon as possible.

Under the IGA, as currently drafted, the Fund does not expect payments made on or with respect to the GDRs to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the GDRs in the future. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA.

USE OF PROCEEDS

The Fund will not receive any proceeds, as there is no offer associated with the application for Admission of the GDRs under this Prospectus. The Fund expects to incur estimated expenses of up to RON 18,858,693 in connection with Admission.

DIVIDEND POLICY

Under current Romanian legislation and the Fund's Articles of Association, each Share gives its owner the right to receive cash distributions. Cash distributions are paid to the shareholders on a *pro rata* basis, proportionately to their participation in the paid up share capital of the Fund. The Fund's policy regarding the return of cash to shareholders (in the form of dividends or other types of cash distributions to shareholders, such as return of capital) is included in the "Annual Cash Distribution Policy" of the Fund.

The general meeting of shareholders determines the amount of cash distributions to be paid and the payment date. The Fund pays cash distributions in relation to the Shares denominated in RON and, in the case of the GDRs, will pay such distributions to the GDR Depositary which will convert them into US dollars and will distribute them to the holders of the GDRs, net of all applicable fees, taxes, duties, charges, cost and expenses applicable in relation to the GDRs.

According to the Companies Law, no distribution of profits can be made if the net assets of the Fund are lower than the share capital. In June 2014 the FSA issued an official interpretation stating that the NAV computed in accordance with the Fund's Regulation is for regulatory reporting and investors' information purposes only and that such interpretation is applicable prospectively from the date of its official publication, respectively 19 June 2014. The FSA's official interpretation has the direct effect that the ability to distribute dividends must be established based on the concept of "total shareholders' equity" calculated in accordance with Regulation 4/2011 of the NSC regarding accounting rules compliant with the IVth EU Directive (78/660/EEC) applicable to the entities authorised, regulated and supervised by the NSC, as subsequently amended and supplemented (the "**Accounting Regulation**").

As a result, following the official interpretation of the FSA on the definition of "net asset value", the Fund could not make dividend distributions to shareholders as at 31 December 2014, because the shareholders' equity of the Fund calculated in accordance with the Accounting Regulation is lower than the share capital of the Fund.

According to the "Annual Cash Distribution Policy", following the official interpretation received from the FSA on the computation methodology for the NAV to be used by the Fund, the Fund Manager remains committed to returning cash to shareholders on an annual basis (subject to applicable law and the necessary approvals). In the absence of exceptional market conditions or circumstances, and subject to any restrictions under Romanian law or tax regulations, the Fund Manager intends to recommend to shareholders an annual cash distribution 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 law 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 necessary resolution.

The annual cash distribution policy of the Fund does not limit additional cash returns and share buy-backs that can be recommended by the Fund Manager separately, subject to available cash and depending on the discount level according to the Fund's current investment policy statement (the "**Investment Policy Statement**").

The table below sets forth the actual dividend/ other cash distribution amounts declared by the Fund in the years ended 31 December 2014, 2013 and 2012.

	Year ended 31 December		
Dividends	**2014**	**2013**	**2012**
		(RON)	
Dividends declared	N/A	536,437,206	507,658,517
Cash distribution to shareholders – return of capital[1]	601,325,852	N/A	N/A
Gross dividends/ cash distributions per Share (RON/share)	**0.05000**	**0.04089**	**0.03854**
Dividends distribution rate[2]	N/A	94.61%	93.35%

Dividends	Year ended 31 December 2014	2013	2012
Number of shares[(3)]	12,026,517,031	13,119,031,695	13,172,250,055

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

[(1)] On 3 February 2014, the Fund's shareholders approved by the Extraordinary General Meeting of Shareholders (the "**EGMS**") 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 RON 0.05 per share to the shareholders registered as such at the registration date (30 April 2014), proportionally with their participation to the Fund's paid share capital. On 25 June 2014 the FSA endorsed the above-mentioned share capital reduction, and thus, in accordance with the provisions of the EGMS resolution no. 2/2014 the payment started on 25 July 2014. By 31 December 2014, shareholders had collected over 98% of the total cash returns distribution of RON 601.3 million.

[(2)] The percentage of dividends distributed to shareholders, determined as total dividend declared divided by the net profit of the previous financial year (the year the dividend distribution is referring to), according to the Audited Separate Financial Statements in accordance with the Accounting Regulation.

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

To the extent that the Fund declares and pays cash distributions, owners of GDRs on the relevant record date will be entitled to receive cash distributions payable in respect of the Shares underlying the GDRs, subject to the terms of the GDR Deposit Agreement.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the capitalisation and indebtedness of the Fund as at 31 December 2014. The following tables should be read in conjunction with "Selected Financial and Operating Information" and "Operating and Financial Review" and the Audited Financial Statements and the related notes thereto.

	As at 31 December 2014
	(audited) *(RON Thousands)*
Total current debt	**0**
Borrowings	0
Finance lease liabilities	0
Total non-current debt (excluding current portion of long-term debt)	**0**
Borrowings	0
Finance lease liabilities	0
Shareholders' equity	**13,347,873**
Share capital	11,815,280
Fair value reserve on available for sale financial assets	4,020,355
Other reserves	610,197
Treasury shares	(1,189,918)
Retained earnings	(1,908,041)
Total	**13,347,873**

The following table sets forth net financial indebtedness of the Fund as at 31 December 2014:

	As at 31 December 2014
	(audited) *(RON Thousands)*
Cash and cash equivalents	**310,893**
Liquidity[(1)]	**310,893**
Short-term loans receivable	0
Current financial receivables	**0**
Current bank debt	0
Current portion of non-current debt	0
Other current financial debt[(2)]	0
Current financial debt[(3)]	**0**
Net current financial indebtedness[(4)]	**(310,893)**
Non-current bank loans	0
Bonds issued	0
Other non-current financial debt[(5)]	0
Non-current financial indebtedness[(6)]	**0**
Net financial indebtedness[(7)]	**(310,893)**

(1) Total of cash and cash equivalents, including restricted cash. Cash and cash equivalents included, cash and current accounts with banks, deposits with banks, treasury bills and government bonds.
(2) Current finance lease liabilities.
(3) Total of current borrowings (short term of non-current borrowings) and current finance lease liabilities.
(4) Current financial debt minus current financial receivable minus liquidity.
(5) Non-current finance liabilities.
(6) Total non-current borrowings, bond issued and non-current finance lease liabilities.
(7) Total net current financial indebtedness and non-current financial indebtedness. (financial indebtedness refers only to borrowings and finance lease liabilities).

The main changes in the capitalisation and indebtedness of the Fund since 31 December 2014 are the following:

- On 27 January 2015 the decrease of the share capital of the Fund by the cancellation of 252,858,056 treasury shares acquired by the Fund in the third buy-back programme in 2014 became effective. The share capital of the Fund decreased by RON 240,215 thousands.

- The Fund continued in 2015 and completed on 3 February 2015 the fourth buyback programme. The total value of the treasury shares (including acquisition costs) acquired by the Fund in 2015 in this programme was of RON 74,489 thousands.

- On 10 February 2015 the Fund started the fifth buyback programme, approved by shareholders on 19 November 2014. Until 31 March 2015, the total value of the treasury shares (including acquisition costs) acquired by the Fund in this programme was of RON 53,422 thousands.

- As at 31 March 2015, the Fund recorded a decrease in retained earnings of RON 668,673 thousands as compared to 31 December 2014. This was mainly due to a decrease in the share price of OMV Petrom shares (listed on the Bucharest Stock Exchange), the holding in OMV Petrom being the largest holding in Fund's portfolio and to the reversal, in the first quarter of 2015, of deferred tax assets of RON 152,679 thousands recorded as at 31 December 2014, due to the intended change by the FSA of the official accounting regulations applicable to the Fund in 2015. As the holding in OMV Petrom was classified under IFRS as financial asset at fair value through profit or loss, the changes in fair value are recorded in profit or loss, influencing retained earnings. The impact in the first three months of 2015 of the decrease of OMV Petrom share price on Fund's retained earnings was a decrease of RON 480,912 thousands.

SELECTED FINANCIAL AND OPERATING INFORMATION

The summary financial and operating information set forth below shows the Fund's summary of the Audited Financial Statements and operating information for the periods indicated.

The summary historical financial and operational information as of and for the periods ended 31 December 2014 (including 2013 restated comparative financial information), 2013 and 2012 has been derived from the Fund's Audited Financial Statements included elsewhere in this Prospectus.

The summary financial and operating information should be read in conjunction with "Presentation of Financial and Other Information", as well as with the Audited Financial Statements and the notes thereto contained elsewhere in this Prospectus.

Summary of Statement of comprehensive income for the years ended 31 December 2014, 2013 (as restated and as previously reported) and 2012

	For the year ended 31 December			
	2014	**2013**		**2012**
	audited			
		As restated	*As previously reported*	*As previously reported*
	(RON Thousands)			
Gross dividend income	687,411	652,380	652,380	623,659
Gains on disposal of equity investments available for sale, net	645,546	115,106	247,822	17,878
Interest income	20,897	36,144	36,144	34,923
Reversal of impairment losses on receivables, net	19,582	37,674	n.a.	n.a
Net gain / (loss) from equity instruments at fair value through profit or loss	(604,220)	422,351	n.a.	n.a
Reversal of impairment losses / (Impairment losses) on dividends receivable,net[1]	n.a.	n.a	46,907	(46,210)
Reversal of impairment losses/ (impairment losses) on receivables in respect of equity contributions, net[1]	n.a.	n.a	(9,038)	5,211
Impairment losses on equity investments available for sale	(344,088)	(835,772)	(835,772)	(772,365)
Impairment losses on other assets[(1)]	-	-	(195)	(878)
Net foreign exchange gains / (losses)	(823)	34	34	(218)
Other income / (expenses), net[(3)]	(6,073)	3,910	3,131	3,950
Net operating income	**418,232**	**431,827**	**141,413**	**(134,050)**
Personnel expenses[(2)]	-	-	(948)	(659)
Operating expenses	(113,641)	(88,428)	(87,691)	(58,913)
Operating expenses	**(113,641)**	**(88,428)**	**(88,639)**	**(59,572)**
	-	-		
Profit / (Loss) before income tax	**304,591**	**343,399**	**52,774**	**(193,622)**
	-	-		
Income tax (expense)/ benefit	122,595	(382,143)	(890,111)	118,660
	-	-		
Profit / (Loss) of the year	**427,186**	**(38,744)**	**(837,337)**	**(74,962)**
Other comprehensive income				
Net change in fair value of available for sale equity investments	616,205	4,066,505	4,512,773	1,492,910
Deferred tax on other comprehensive income	7,807	16,888	467,248	(238,866)
Decrease in fair value reserve following the disposal of available for sale equity investments	(616,775)	(200,205)	(299,453)	-
Total other comprehensive income	**7,237**	**3,883,188**	**4,680,568**	**1,254,044**
Total comprehensive income for the year	**434,423**	**3,844,444**	**3,843,231**	**1,179,082**
Basic and diluted earnings per share	**0.0321**	**(0.0028)**	**(0.0608)**	**(0.0054)**

Note: In the financial statements for the year ended 31 December 2014, the restated financial information for year ended 31 December 2013 included the following reclassifications, in order to be consistent with 2014 presentation:

(1) "Reversal of impairment losses / (Impairment losses) on dividends receivable, net", "Reversal of impairment losses/ (impairment losses) on receivables in respect of equity contributions, net" and "Impairment losses on other assets" were reclassified to "Reversal of impairment losses on receivable, net".

(2) "Personnel expenses" were reclassified to "Other operating expenses".

(3) The amount of operating income netted off in "Other operating expenses" in the initially reported Statement of comprehensive income for the year ended 31 December 2013, was reclassified under "Other operating income / (expenses), net"

Summary of Statement of financial position as of 31 December 2014, 2013 (as restated and as previously reported) and 2012

	As at 31 December			
	2014	2013		2012
		audited		
		As restated	*As previously reported*	*As previously reported*
		(RON Thousands)		
Assets				
Cash and current accounts	6,879	5,553	5,553	1,858
Deposits with banks	109,425	232,110	232,110	317,309
Treasury bills	162,839	129,887	129,887	454,733
Government bonds	31,750	83,748	83,748	-
Dividends receivable	-	-	-	800
Equity investments	12,927,657	14,312,229	14,308,030	11,269,744
Deferred tax assets	152,679	342	342	363,488
Other assets	9,438	3,625	3,625	2,189
Total assets	**13,400,667**	**14,767,494**	**14,763,295**	**12,410,121**
Liabilities				
Other liabilities	52,794	42,268	42,268	21,064
Total liabilities	**52,794**	**42,268**	**42,268**	**21,064**
Equity				
Share capital	11,815,280	13,778,392	13,778,392	13,778,392
Fair value reserve on available-for-sale financial assets	4,020,355	4,013,119	7,174,888	2,494,320
Other reserves	610,197	312,559	312,559	278,451
Treasury shares	(1,189,918)	(1,095,093)	(1,095,093)	(120,269)
Retained earnings	(1,908,041)	(2,283,751)	(5,449,719)	(4,041,837)
Total equity	**13,347,873**	**14,725,226**	**14,721,027**	**12,389,057**
Total liabilities and equity	**13,400,667**	**14,767,494**	**14,763,295**	**12,410,121**

Summary of Statement of cash flows for the years ended 31 December 2014, 2013 and 2012

	For the year ended 31 December		
	2014	2013	2012
		audited	
		As previously reported	*As previously reported*
		RON Thousands	
Cash flows from operating activities			
Proceeds from sale of equity instruments	1,080,212	570,774	207,871
Acquisitions of treasury bills and bonds	(1,361,208)	(1,037,190)	(537,216)
Disposals and maturity of treasury bills and bonds	1,375,944	1,283,137	282,591
Dividends received (net of withholding tax)	682,067	696,287	625,371
Interest received	20,085	33,210	30,329
Suppliers and other taxes and fees paid	(109,634)	(78,793)	(76,281)
Creation of bank deposits with original maturities of more than three months	(25,000)	-	-
Income tax paid	(23,522)	-	(122)
Remunerations and related taxes paid	(1,131)	(968)	(686)
Realized foreign exchange gain / (loss) on cash and cash equivalents	(961)	3	(200)
Subscriptions to share capital increase of portfolio companies	-	(42,714)	(2,540)
Interest and penalties received in relation with the dividends late payments(1)	-	n.a.	1,757
Other receipts, net(1)	1,301	1,440	158
Acquisition of equity investments	-	-	(62)
Net cash flows from operating activities	**1,638,153**	**1,425,186**	**530,970**
Cash flows from financing activities			
Return of capital to shareholders	(589,891)	-	-
Acquisition of treasury shares	(1,188,701)	(974,824)	-
Dividends paid (including related taxes)	(5,976)	(530,674)	(510,477)
Net cash flows used in financing activities	**(1,784,568)**	**(1,505,498)**	**(510,477)**
Net (decrease) / increase in cash and cash equivalents	**(146,415)**	**(80,312)**	**20,493**
Cash and cash equivalents at the beginning of the period	237,573	317,886	297,393
Cash and cash equivalents at the end of the period	**91,158**	**237,574**	**317,886**

	31 December

	2014	2013	2012
Cash	6,879	5,553	1,858
Bank deposits with original maturities of less than three months	84,279	232,021	316,028
	91,158	**237,574**	**317,886**

Note: In the Summary of Statement of cash flows for the years ended 31 December 2014 the financial information for year ended 31 December 2013 includes the following reclassification in order to be consistent with 2014 presentation: (1)"Interest and penalties received in relation with the dividends late payments" was reclassified to "Other receipts, net"

Significant changes in accounting policies in 2014

First time application of Investment Entities (Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and International Accounting Standards (the "IAS") 27 "Separate financial statements") (the "Amendments")

The Fund applied the Amendments starting 1 January 2014, when these became effective, after their adoption by the European Union.

Analysing the criteria presented in the Amendments, the Fund Manager concluded that the Fund meets the requirements for being classified as an "investment entity", as defined in the Amendments.

As a consequence, following the application of the Amendments, starting 1 January 2014 the Fund no longer consolidates its subsidiaries, nor prepares consolidated financial statements, the Fund having a single set of financial statements going forward. Based on the Amendments requirements, the Fund will reassess for each future reporting period the qualification criteria of being considered an investment entity.

As a result, the Fund changed its accounting policies for its investments in subsidiaries and associates, classifying and measuring them at fair value through profit or loss. All the other equity investments of the Fund remain classified as in previous years, as available for sale financial assets in accordance with IAS 39 "*Financial Instruments: Recognition and Measurement*".

Before application of these changes in the periods prior to 1 January 2014:

- The investments in subsidiaries were accounted for in accordance with IAS 39 "*Financial Instruments: Recognition and Measurement*", as available for sale financial assets, in both the separate and consolidated financial statements, with changes in fair value, where applicable, being recorded in other comprehensive income, given the materiality consideration (the effect of their consolidation to the Fund was considered immaterial);

- The investments in associates (i.e. the investment in OMV Petrom S.A. ("**OMV Petrom**")) were accounted for using the equity method in the consolidated financial statements. In the separate financial statements, the investments in associates were classified and measured in accordance with IAS 39 as available for sale financial assets, with changes in fair value recorded in other comprehensive income; and

- 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. The equity instruments that were not traded in an active market, for which fair values were not available, were carried at cost less impairment.

Restatement of comparative financial information

In accordance with the transitional provisions of the Amendments, the Fund has applied the new accounting policies retrospectively and restated the comparative financial information.

In this respect, the Fund retrospectively adjusted both the period that immediately precedes the date of initial application (year ended 31 December 2013) and the statement of financial position at the beginning of the immediately preceding period (1 January 2013) to reflect the new accounting policies described above.

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

Recent developments

There has been no significant change in the financial or trading position of the Fund since 31 December 2014, being the end of the last financial period for which audited financial information has been published.

OPERATING AND FINANCIAL REVIEW

Investors should read the following discussion of the Fund's financial position and results of operations together with the Audited Financial Statements and the notes thereto included elsewhere in this Prospectus. Investors should read the whole of this Prospectus and not just rely upon summarised information.

Unless otherwise stated, the information therein is primarily derived from the Fund's Audited Financial Statements and should be read together with these financial statements, including the accounting policies and the notes thereto, as well as with other financial information contained elsewhere in this Prospectus. All financial statements have been prepared in accordance with IFRS as adopted by the European Union.

Overview

Fondul Proprietatea is a Romanian legal entity, incorporated as a joint stock closed-end investment company. The Fund is listed on the regulated market of the Bucharest Stock Exchange since 25 January 2011.

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 investments amounted to 96.5% of the Fund's total assets as at 31 December 2014, according to the IFRS financial statements. As at that date, the portfolio was composed of holdings in 53 companies (17 listed and 36 unlisted), containing a combination of privately held and state-controlled entities.

Presentation of historical financial information

Starting 1 January 2014, the Fund applied the Amendments, when they became effective after their adoption by the European Union.

The Amendments include the definition criteria of 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 ("the exception to consolidation"). After analysing the criteria presented in these Amendments, the Fund Manager concluded that the Fund meets the definition of an investment entity and as a result, the Fund changed its accounting policies for investments in subsidiaries, measuring them at fair value through profit or loss. Following the classification of the Fund as investment entity, a change in accounting policies has been made for accounting of associates in accordance with IAS 28 "Investments in associates" measuring them at fair value through profit or loss.

In accordance with the transitional provisions of the Amendments, the Fund applied the new accounting policies retrospectively and restated the comparative financial information. In this respect, the Fund retrospectively adjusted both the period that immediately precedes the date of initial application (year ended 31 December 2013) and the statement of financial position at the beginning of the immediately preceding period (1 January 2013) for the difference between the previous carrying value and the current fair value of the equity investments for which the change in accounting policies mentioned before applies.

The IFRS financial information included in this Prospectus related to the financial year 2012 was not restated, being included as previously reported in the Fund's separate IFRS financial statements.

Please refer to section *"Selected Financial and Operating Information - Significant changes in accounting policies in 2014"* for more details regarding the application of changes in the accounting policies of the Fund, in accordance with IFRS requirements.

Key statement of financial position items

Equity investments

<u>*Classification of equity investments*</u>

In the financial statements for the year ended 31 December 2014, including the restated comparative information, the equity investments representing subsidiaries and associates of the Fund were classified as financial assets at fair value through profit or loss, the rest of the equity investments being classified as available for sale.

In the financial statements as at 31 December 2012 and 31 December 2013 (as previously reported), before the Fund has been considered an investment entity in accordance with the Amendments, all the equity investments of the Fund were classified as financial assets available for sale.

The financial assets classified as at fair value through profit or loss were measured at fair value and all the related changes in fair value are recognised in profit or loss. These financial assets are not subject to impairment testing.

The financial assets classified as available for sale are measured at fair value, with the changes in fair value recognised in other comprehensive income (equity). At the derecognition of an available for sale equity investment, the cumulative gain or loss previously recognised in other comprehensive income is transferred to profit or loss. Impairment losses on available for sale equity investments are recognised by transferring the cumulative loss that was recognised directly in other comprehensive income to profit or loss. If, in a subsequent period, the fair value of an impaired equity investment classified as available for sale increases, this is recognised in other comprehensive income.

Valuation of equity investments

Listed shares traded in an active market

For the years ended 31 December 2014, 31 December 2013 and 31 December 2012, the listed shares traded in an active market were measured at the fair value, using the quoted price at the reporting date. A market is regarded as active if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Unlisted shares and listed shares that are not traded in an active market

During the period 2012 – 2014, where sufficient information was available, the fair values of equity investments not traded in an active market were determined by independent appraisers, in accordance with International Valuation Standards.

As at 31 December 2014 and 31 December 2013 (as restated), the Fund's unlisted and illiquid equity investments were valued at fair value, assessed by independent appraisers, while the equity investments whose fair value were not available, were measured at the values used in the calculation of the net asset value of the Fund, determined in accordance to the regulations issued by the FSA and reported on monthly basis (this represented an immaterial part of the portfolio).

As at 31 December 2012 and 31 December 2013 (as previously reported), the unlisted shares and listed shares that were not traded in an active market and for which fair values could not be determined were carried at cost less impairment.

Significant portfolio transactions

Significant sell transactions

In 2014, the most significant disposals from the Fund's portfolio were:

- Transelectrica: 9,895,212 shares at RON 21.50 per share, following the completion of the bookbuilding process on the Bucharest Stock Exchange.
- Romgaz (partial disposal): 19,243,000 shares, at a price of RON 33.50 per share or USD 10.32 per GDR, through an accelerated bookbuilding offering on the Bucharest Stock Exchange and on the London Stock Exchange.
- Conpet (partial disposal): 2,047,095 shares at a price of RON 48.75 per share, following the completion of the bookbuilding process on the Bucharest Stock Exchange.

- Erste Group Bank AG (397,020 shares at an average sale price of EUR 24.02 per share) and Raiffeisen Bank International AG (677,064 shares at an average sale price of EUR 23.32 per share), through transactions on the open market.

In 2013, the most significant disposals from Fund's portfolio were:

- Transgaz: 1,764,620 shares at a price of RON 172 per share, through an accelerated bookbuilding process on the Bucharest Stock Exchange.

- OMV Petrom (partial disposal): 632,482,000 shares, accounting for approximately 1.1% of company's share capital, at a price of RON 0.39 per share, through an accelerated bookbuilding process on the Bucharest Stock Exchange.

- Raiffeisen Bank International AG (partial disposal): 176,500 shares, at an average sale price of EUR 25.19 per share, through transactions on the open market.

In 2012, the most important disposals from Fund's portfolio were:

- Azomures: 58,530,066 shares at RON 2.22 per share, as part of a takeover bid initiated by the main shareholder of the company.

- Erste Group Bank AG (partial disposal of 830,850 shares at an average sale price of EUR 14.08 per share) and Raiffeisen Bank International AG (partial disposal of 232,042 shares at an average sale price of EUR 24.70 per share), through transactions on the open market.

<u>Acquisitions and other transactions in the portfolio</u>

There were no major acquisitions in the portfolio of the Fund in the period 2012 - 2014.

Other transactions in the portfolio of the Fund during the three years under analysis consisted of: cash contributions share capital increases of portfolio companies, in kind contributions of the Romanian State to the Fund's share capital (i.e. shares in state controlled companies received by the Fund, following the increases of the share capital of those companies) and the return of capital performed by a portfolio company. However, these transactions did not have a material impact on the portfolio of the Fund.

<u>Analysis of the changes in the value of the equity investments</u>

<u>Equity investments at fair value through profit or loss</u>

The Fund applied the Amendments starting 1 January 2014 and restated the corresponding comparative information for the year 2013. The information for the year 2012 was not restated and the Fund did not classify any equity investment at fair value through profit or loss in 2012.

The total value of equity investments at fair value through profit or loss was RON 4,591,866 thousands as at 31 December 2014 and RON 5,127,829 thousands as at 31 December 2013 (as restated).

In 2014 the most important changes in the value of the equity investments at fair value through profit or loss, as compared to the previous year were:

- the decrease of RON 664,884 thousands in the value of the holding in OMV Petrom, generated by the significant decrease of the share price of company's shares (correlated with the significant decrease in the oil price in the second half of 2014);

- the increase of RON 66,832 thousands in the value of the holding in Societatea Nationala a Sarii, following the independent fair valuation performed during 2014.

In 2013 (restated financial information) the most significant change in the value of the equity investments at fair value through profit or loss was the increase of RON 448,636 thousands in the value of the holding in OMV Petrom, due to the increase in the share price of this company.

Equity investments available for sale

Total equity investments classified as available for sale were of RON 8,335,791 thousands as at 31 December 2014, RON 9,184,400 thousands as at 31 December 2013 (as restated) and of RON 11,269,744 thousands as at 31 December 2012 (as previously reported). As at 31 December 2012, all of the Fund's holdings were classified as available for sale financial assets.

The most significant changes in the value of equity investments available for sale in 2014 were the following:

- Recorded in equity (other comprehensive income): Changes in fair value of unlisted holdings recognised following the independent fair valuation of these holdings performed during the year, the most significant being related to Electrica Furnizare (an increase of RON 123,910 thousands), E.ON Energie Romania (an increase of RON 88,135 thousands), Administratia Porturilor Maritime (an increase of RON 79,973 thousands), Hidroelectrica (an increase of RON 71,768 thousands), Enel Distributie Banat (an increase of RON 67,241 thousands), E.ON Distributie Romania (a decrease of RON 69,103 thousands) and Electrica Distributie Muntenia Nord (a decrease of RON 60,597 thousands).

- Recorded as impairment losses in profit or loss: For assessing which equity investments are impaired, the Fund considers all relevant factors, including: significant or prolonged decline in fair value below cost, market and industry conditions to the extent that they influence the recoverable amount of the investment, financial conditions and near-term prospects of the issuer, any specific adverse events that may influence the issuer's operations, recent losses of the issuer, qualified independent auditor's report on the issuer's most recent financial statements. The largest impairment losses recorded by the Fund in 2014 in respect of equity investments available for sale were related to the holdings in Complexul Energetic Oltenia (RON 213,440 thousands) and Nuclearelectrica (RON 94,833 thousands).

In 2013, the most significant changes in the value of equity investments available for sale were the following:

- Recorded in equity (other comprehensive income):

  - Increase in the value of the holding in Romgaz, of RON 1,559,043 thousands, following the listing of the company's shares on Bucharest Stock Exchange.

  - Changes in fair value of unlisted holdings recognised following the independent fair valuation of these holdings performed during the year, the most significant being related to Enel Distributie Banat (an increase of RON 431,671 thousands), Enel Distributie Muntenia (an increase of RON 365,793 thousands), GDF Suez Energy Romania (an increase of RON 341,888 thousands), Enel Distributie Dobrogea (an increase of RON 264,350 thousands) and E.ON Moldova Distributie (an increase of RON 214,286 thousands).

- Recorded as impairment losses in profit or loss: The largest impairment losses recorded by the Fund in 2013 in respect of equity investments available for sale were related to the holdings in Complexul Energetic Oltenia (RON 348,441 thousands), Nuclearelectrica (RON 305,472 thousands), BRD - Groupe Societe Generale (RON 97,671 thousands) and Raiffeisen Bank International AG (RON 43,870 thousands).

In 2012, the most significant change in the value of equity investments was regarding an impairment loss recorded by the Fund in respect of equity investments available for sale, related to the holdings in Hidroelectrica (RON 768,522 thousands), following the opening of the insolvency procedure for this company.

Please refer to section "*Portfolio*" for more details regarding the developments of the main equity investments in Fund's portfolio in 2014, 2013 and 2012. Please note that for the material proportion of the portfolio, the NAV valuation under the Fund's Regulation is performed using the same principles used for the valuation in the IFRS financial statements.

Total liabilities

Total liabilities of the Fund were of RON 52,794 thousands as at 31 December 2014, RON 42,268 thousands as at 31 December 2013 (as restated) and RON 21,064 thousands as at 31 December 2012 (as previously reported).

The main part of the variance of total liabilities over the period presented was due to the evolution of the investment management and administration fees.

For more details regarding the operating expenses of the Fund in the period 2012 – 2014, in particular related to the investment management and administration fees, please refer to section "*Key statement of comprehensive income items – Operating expenses*".

Shareholder' equity

Share capital

Evolution of the subscribed share capital

As at 31 December 2014, the subscribed share capital was RON 11,815,280 thousands, representing 12,437,136,723 ordinary shares with a nominal value of RON 0.95 per share, out of which 363,812,350 shares were unpaid.

The total subscribed share capital of the Fund as at 31 December 2012 was RON 13,778,392 thousands, representing 13,778,392,208 ordinary shares with a nominal value of RON 1 per share, out of which 365,612,042 shares were unpaid.

While there was no change in 2013, in 2014 the subscribed share capital of the Fund:

- decreased by RON 1,286,208 thousands following the cancellation of 240,304,801 treasury shares acquired by the Fund in the first buy-back programme carried out in 2011 and the cancellation of 1,045,903,150 treasury shares acquired by the Fund in the second buy-back programme carried out in 2013;
- decreased by RON 676,904 thousands following the reduction of the nominal value of the shares from RON 1.00 to RON 0.95 per share.

On 27 January 2015, the FSA endorsed the decrease of the subscribed share capital of the Fund from RON 11,815,280 thousands to RON 11,575,065 thousands, following the cancellation of 252,858,056 treasury shares acquired by the Fund in the third buy-back programme carried out in 2014. The share capital decrease was effective beginning with 27 January 2015.

Unpaid share capital

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

In the period 2012 – 2014, the Fund offset the Romanian State's obligation related to unpaid capital with the contribution in kind of the Romanian State to the share capital of the Fund, consisting in shares in Fund's portfolio companies, following the share capital increases of these companies.

Fair value reserve

The fair value reserves of RON 4,020,355 thousands as at 31 December 2014 (31 December 2013, as restated: RON 4,013,119 thousands and 31 December 2012, as previously reported: RON 2,494,320 thousands) included the cumulative net change in the fair value of available for sale equity investments, until these investments are derecognised or impaired.

Treasury shares

The main information regarding the buy-back programmes carried by the Fund and the cancellation of related shares for each of these programmes is presented below:

- ***First buy-back programme***: In September 2010 shareholders approved the first buy-back programme within the price range of RON 0.2 per share to RON 1.5 per share. The buy-back programme started in May 2011 and by 30 September 2011 the Fund completed the programme by acquiring 240,304,801 shares, equivalent to 1.74% of the Fund's subscribed share capital for a total acquisition value, including transaction costs, of RON 120,269 thousands. The cancellation of shares acquired within this buyback programme through the decrease of subscribed share capital of the Fund was effective on 24 February 2014.

- ***Second buy-back programme:*** In April 2012, shareholders approved the second buy-back programme. The Fund Manager was authorised to repurchase a maximum of 1,100,950,684 shares, within the price range of RON 0.2 per share to RON 1.5 per share, to be cancelled upon completion of the buy-back programme. The second buy-back programme started on 12 April 2013 and was completed on 17 December 2013, through a tender offer for 600,000,000 shares, at a price of RON 1 per share, and daily acquisitions on the Bucharest Stock Exchange. By 31 December 2013 the Fund had acquired all the 1.1 billion shares at a total acquisition value, including transaction costs of RON 974,825 thousands. The cancellation of the shares acquired within this buy-back programme was effective on 26 September 2014.

- ***Third buy-back programme:*** In November 2013, the shareholders approved the third buy-back programme. The Fund Manager was authorised to repurchase a maximum of 252,858,056 shares, within the price range of RON 0.2 per share to RON 1.5 per share, to be cancelled upon completion of the buy-back programme. The third buy-back programme started on 25 March 2014 and by 23 July 2014 all 252,858,056 shares were acquired, at a total acquisition value, including transaction costs, of RON 205,785 thousands. The shares acquired during the third buy-back programme were cancelled and the share capital decrease was effective beginning with 27 January 2015.

- ***Fourth buy-back programme:*** In April 2014 shareholders approved the fourth buy-back programme. The Fund Manager was authorised to repurchase a maximum of 990,855,616 shares, within the price range of RON 0.2 per share to RON 2 per share, to be cancelled upon completion of the buy-back programme. The fourth buy-back programme started on 1 October 2014 and was completed on 3 February 2015, through a tender offer for 750,000,000 shares (shares actually purchased: 749,998,142), at a price of RON 1.11 per share, and daily acquisitions on the Bucharest Stock Exchange. On 4 February 2015, the Fund announced the completion of the buy-back programme, through which the Fund acquired all 990,855,616 shares, at a total acquisition value, including transaction costs, of RON 1,060,874 thousands. The Fund Manager will request shareholders' approval for the cancellation of the shares repurchased in this buy-back programme at the 27 April 2015 general shareholders' meeting.

- ***Fifth buy-back programme:*** In November 2014 shareholders approved the fifth buy-back programme, which refers to the acquisition of a maximum number of 227,572,250 shares, within the price range of RON 0.2 per share to RON 2 per share, to be cancelled upon completion of the buy-back programme. The fifth buy-back programme started on 10 February 2015 and is effective until August 2016.

The implementation of all buy-back programmes is subject to the availability of the necessary cash.

The funding of the buy-back programmes represented the most important cash outflow of the Fund in 2013 and 2014.

Dividends and other cash distributions to shareholders

In 2012 the Fund has distributed dividends of RON 507,659 thousands (0.03854 RON per share gross) out of 2011 profits and in 2013 has distributed dividends of RON 536,437 thousands (0.04089 RON per share gross) out of the 2012 profits.

Following an official interpretation issued by the FSA in June 2014 regarding the net asset value definition in the context of dividend distributions, in 2014 the Fund replaced the dividend distribution from 2013 profits with a cash return of capital to shareholders, following the decrease of the nominal value of Fund's shares. In February 2014, the Fund's shareholders approved 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

RON 0.05 per share to the shareholders registered with the Romanian Central Depositary at the registration date, 30 April 2014, proportionally with their participation to the Fund's paid-up share capital. The share capital reduction became effective in June 2014, when it was endorsed by FSA, and the payment started in July 2014.

In 2015, a new cash distribution to shareholders, in accordance with Fund's Annual cash distribution policy was approved by shareholders. On 21 January 2015 the shareholders of the Fund approved the decrease of the subscribed share capital of the Fund through the reduction of the nominal value of the shares of the Fund from RON 0.95 to RON 0.90, and the payment to the shareholders registered with the Central Depositary at the registration date, 24 June 2015, of RON 0.05 per share, proportionally with their participation to the paid-up share capital of the Fund. The payment will start on 29 June 2015, provided that the decrease of the share capital mentioned above is effective by that time (the share capital decrease is subject to FSA endorsement).

Please refer to section "*Dividend policy*" for more details regarding Fund's distributions to shareholders for the years ended 31 December 2014, 31 December 2013 and 31 December 2012.

The dividends and other cash distributions to shareholders represented important cash outflows of the Fund in 2012, 2013 and 2014.

Key statement of comprehensive income items

Gross dividend income

Dividend income from portfolio companies represents the main recurring income and cash inflows source for the Fund. This income category increased steadily from year to year in the period presented.

In 2014, most of the dividend income derived from OMV Petrom (RON 331,366 thousands), Romgaz (RON 148,525 thousands), GDF Suez Energy Romania (RON 33,600 thousands) and Nuclearelectrica (RON 33,164 thousands).

The portfolio companies that distributed the largest dividends for the Fund in 2013 were OMV Petrom (RON 318,952 thousands), Romgaz (RON 158,942 thousands), Transgaz (RON 37,569 thousands) and E.ON Gaz Distributie (RON 29,934 thousands), while in 2012 the main part of dividend income was received from OMV Petrom (RON 353,125 thousands), Romgaz (RON 140,639 thousands), Transgaz (RON 52,515 thousands) and Alro (RON 23,067 thousands).

Gains on disposal of equity investments available for sale

In 2014, the net gain on disposal of available for sale equity investments was RON 645,546 thousands representing the difference between the proceeds from disposals (RON 1,074,882 thousands) and the carrying values of the equity investments as at disposal date (RON 1,046,111 thousands), plus the net unrealised gain related to these investments disposed of, transferred from equity (other comprehensive income) to profit or loss upon their derecognition (RON 616,775 thousands). The largest disposals of available for sale equity investments during 2014 were: Transelectrica, Romgaz, Erste Group Bank AG, Raiffeisen Bank International AG and Conpet.

For 2013, the net gain on disposal of available for sale equity investments was RON 115,106 thousands representing the difference between the proceeds from disposals (RON 324,703 thousands) and the carrying values of the equity investments as at disposal date (RON 409,802 thousands), plus the net unrealised gain related to these investments disposed of, transferred from equity (other comprehensive income) to profit or loss upon their derecognition (RON 200,205 thousands). The largest disposals of available for sale equity investments during 2013 were: Transgaz and Raiffeisen Bank International AG.

In 2012, the gain on disposal of equity investments available for sale (as previously reported) was RON 17,878 thousands representing the difference between the proceeds from disposals (RON 208,135 thousands) and the carrying values of the equity investments as at disposal date (RON 190,257 thousands) and is related to the disposals of holdings in Azomures, Erste Group Bank AG and Raiffeisen Bank International AG.

For more details regarding the most important sell transactions in Fund's portfolio in the period 2012 – 2014, please see section *"Key statement of financial position items* **-** *Equity investments".*

The proceeds from the disposal of equity investments represent one of the most important sources of cash inflows of the Fund.

Net gain or loss on equity investments at fair value through profit or loss

As mentioned above, the Fund did not classify any equity investment at fair value through profit or loss in 2012.

The net gain or loss on equity investments at fair value through profit or loss comprised both the realised and the unrealised gains or losses related to these instruments.

The most significant unrealised net gains or losses, respectively an unrealised loss of RON 606,243 thousands in 2014 and an unrealised gain of RON 446,807 thousands in 2013, were generated by the evolution of OMV Petrom (the largest holding in Fund's portfolio) share price on Bucharest Stock Exchange.

For more details regarding the most important sell transactions in Fund's portfolio in the period 2012 – 2014, please see section *"Key statement of financial position items - Equity investments".*

The proceeds from the disposal of equity investments represent one of the most important sources of cash inflows of the Fund.

Impairment losses on equity investments available for sale

The impairment losses on equity investments available for sale were of RON 344,088 thousands in 2014, RON 835,772 thousands in 2013 (as restated) and RON 772,365 thousands in 2012 (as previously reported).

For more details regarding the equity investments in the Fund's portfolio for which the largest impairment losses were recorded in the period 2012 – 2014, please see "*Key statement of financial position items – Equity investments*".

Operating expenses

Investment management and administration fees payable to the Fund Manager represent the main operating expense category which increased from year to year in line with the increase of the Fund's share price upon which these fees are based. In 2014, the increase was also generated by the change in the base fee rate to 0.60% per year, effective from September 2014 (when the new Investment Management Agreement entered into force) from the previous level of 0.479% per year (out of which investment management fee was 0.379% and the administration fee was 0.10%).

For more details regarding the Investment Management Agreement, please see section *"Material Contracts – Contracts with service providers – Investment Management Agreement".*

Other important expense categories are FSA Regulatory fees (the fees computed based on NAV and paid monthly and the fees charged by FSA for capital market transactions) and other transactions and advisory related costs.

Income tax expense or benefit

Income tax expense or benefit for each of the years presented were determined in accordance with the Romanian fiscal legislation applicable for the respective year, and recognition of deferred tax assets has been made based on the Fund's assessment regarding the recoverability of such deferred tax asset position out of future taxable profit of the Fund.

Other comprehensive income

The other comprehensive income of RON 7,237 thousands at 31 December 2014 (31 December 2013 as restated: RON 3,883,188 thousands and 31 December 2012, as previously reported: RON 1,254,044 thousands) comprised of the changes in fair value of equity investments available for sale, net of related deferred tax, where applicable, and taking into account the impact of disposals of equity investments available for sale.

For more details regarding the equity investments classified as available for sale with the largest changes in fair values recorded in other comprehensive income in the period 2012 - 2014, please see section *"Key statement of financial position items – Equity investments"*.

Principal financial risks and uncertainties

The Fund's investment portfolio comprises listed financial assets traded on an active market and unlisted financial assets, for which market values are not readily available.

The Fund's investing activities expose it to various types of risks that are associated with the financial assets and with the markets in which it invests. The most important types of financial risks to which the Fund is exposed are market risk, credit risk and liquidity risk. Starting 29 September 2010 the Fund Manager implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

Market risk

Market risk is the risk that changes in market prices and rates, such as equity prices (as a result of changes in market conditions, whether caused by factors specific to the issuer or factors affecting all instruments traded in the market), interest rates and foreign exchange rates will affect the Fund's income or the value of its holdings of financial assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Equity price risk

Equity price risk arises from changes in the value of equity securities and is the primary risk impacting the Fund. Diversification across securities and industries, to the extent possible given the unique investment mandate, is the primary technique for mitigating equity price risk. The companies in which the Fund holds equity securities operate in different industries. The Fund has concentrated exposures to the "Oil and gas", "Power and gas utilities industries: transport, distribution and supply" and "Power utilities: generation" sectors.

Equity price risk can have different systematic sources, including but not limited to: exogenic factors (input prices), macroeconomic environment, consumer preferences, regulatory or political changes, market sentiment. In addition, equity prices are exposed to company specific risks which cannot be linked to any systematic sources.

Interest rate risk

The Fund places cash into fixed rate bank deposits, treasury bills and short-term government securities with original maturities of up to one year. In consequence, the exposure of the Fund to interest rate risk was assessed as low.

Currency risk

Fund's exposure to currency risk is insignificant. The Fund held current accounts with banks and receivables and payables denominated in EUR, USD or GBP, but the balances were immaterial in the three-year period presented in the Prospectus.

Credit risk

Credit risk arises principally from cash and deposits with banks, treasury bills and government bonds.

The Fund's maximum exposure to credit risk from cash and deposits with banks was RON 116,304 thousands at 31 December 2014 (31 December 2013: RON 237,663 thousands and 31 December 2012: RON 319,167 thousands). Current accounts and deposits are held with banks in Romania. The Fund Manager implemented a formal policy regarding bank counterparty risks and limits. The Fund only establishes new deposits with financial institutions where the institution or the institution's corporate parent, have a credit rating above investment grade (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

The treasury bills and government bonds in Fund's portfolio are issued by the Romanian state.

Liquidity risk

The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's financial assets include unlisted securities, which are not traded in a regulated market and generally may be considered illiquid. As a result, the Fund may not be able to liquidate quickly some of its investments in these instruments in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

Not all shares listed on Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions. The Fund prudently manages liquidity risk by maintaining sufficient liquid assets to finance current liabilities.

Taxation risk

On 1 January 2007, Romania became a member of the European Union and therefore has to apply detailed and complex rules on the basis of the EU Treaties, Regulations and Directives. The Fund had to conform to EU legislation from 1 January 2007 and, therefore, had to apply the changes arising from the EU legislation. These changes were implemented and the tax authorities had up to 5 years to audit the way these changes were implemented. Interpretation of the text and practical implementation procedures of the EU tax regulations could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Fund's treatment.

Furthermore, the Romanian Government has a number of agencies that are authorised to conduct audits (controls) of companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Fund will continue to be subject to regular controls as new laws and regulations are issued.

Uncertainties regarding operating environment

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

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

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

The Fund Manager cannot predict all developments which could have an impact on the Romanian economy and consequently what effect, if any, they could have on the performance of the Fund and its financial statements, nor to reliably estimate the effects on the Fund's financial statements of any further deterioration in the liquidity of the financial markets, devaluation of financial assets influenced by the increased volatility in the currency and equity markets.

THE FUND

Overview

The Fund is a closed-end investment company registered with and supervised by the FSA, incorporated under the laws of Romania as joint stock company, registered with the Romanian Trade Registry Office attached to the Bucharest Court under number J40/21901/2005, having sole registration code 18253260,. The Fund's original articles of association were enacted by Government Decision no. 1481/2005, setting out that the Fund is an undertaking for collective investments organised as a closed end investment company. The Fund was officially registered as a closed-end investment company only in 2010, by NSC Endorsement no. 34 of 18 August 2010.

The registered office of the Fund is at 78-80 Buzesti Street, 7th floor, Bucharest 011017, Romania and the telephone number of the Fund's registered office is +40 21 200 96 00.

Pursuant to articles 5 and 6 of the Articles of Association, the business object and purpose of the Fund is portfolio management. The main business of the Fund is the one described under the national classification of economic activities ("**NACE**") code 643 ("mutual funds and other similar financial entities"), while the main business activity is represented by the provision of financial investment services (NACE code 6430).

The Fund was incorporated by the Romanian state on 22 July 2005 as a joint stock company in accordance with the provisions of Title VII of Law no. 247/2005 regarding the reforms in the sectors of justice and property as well as certain related measures, with subsequent amendments ("**Law 247/2005**") with the special purpose of providing compensation to the individuals whose real estate assets had been abusively confiscated by the Romanian state during the communist regime and which may no longer be subject to in-kind restitution thereto. Given this purpose, aimed at serving the legitimate interests of various persons and ensuring that the general rule of law and property protection are guaranteed in Romania, the activity of the Fund is strictly regulated by law and is of significant interest for the Romanian public authorities, being also monitored by the media and its shareholders. The initial share capital of the Fund has been subscribed and substantially paid up (in a proportion of approximately 97%) by the Romanian State through various cash contributions and in kind contributions, mainly in the form of stakes in various Romanian companies (many of which are still part of the portfolio of the Fund at the date of this Prospectus).

The Fund was listed on 25 January 2011 on the spot regulated market managed by the Bucharest Stock Exchange in Tier I Shares of the Securities Sector of the market (currently the Premium Category of the regulated market managed by the Bucharest Stock Exchange), under ISIN number ROFPTAACNOR5 and with the market symbol "FP".

Main services providers

Franklin Templeton Investment Management Limited, United Kingdom, acting through its Bucharest branch, was appointed on 29 September 2010 as the Fund Manager and Sole Director of the Fund. Please see Section "*Fund Manager—Franklin Templeton Investment Management Limited*" for a description of the Fund Manager. Please see section "*Material Contracts—Contracts with service providers—Investment Management Agreement*" for a description of the role and responsibilities of the Fund Manager.

Starting 20 November 2013, the Fund's depositary and custodian is BRD - Groupe Societe Generale S.A. (the "**Custodian**").

The Custodian is a joint stock company, organised as a credit institution, which was set up by Government Decision in December 1990 and incorporated in February 1991 under the laws of Romania. Its registered office is at BRD Tower, 1-7 Ion Mihalache Blvd, Bucharest, District 1, telephone number: 021 200 83 72 and fax number: 021 200 83 73.

The Custodian is registered with the Trade Registry under no. J40/608/1991, with fiscal identification code RO361579, registered with the Romanian Register of Credit Institutions under number RB-PJR-40-007/18.02.1999 and with the FSA Register under number PJRO1INCR/400008. The Custodian is authorised and regulated by the National Bank of Romania as a credit institution and by the FSA as a depositary. At the beginning of 2001, the Custodian's shares were admitted to trading on the Bucharest Stock Exchange.

Please see Section "*Material Contracts—Contracts with service providers—Depositary/Custody Agreement*" for a description of the role and responsibilities of the Custodian.

Employees

As at the date of this Prospectus, the Fund has no employees. Given that the Fund is managed by the Fund Manager, it is not expected that the Fund will have any employees in the future.

Intellectual Property

As at the date of this Prospectus, the Fund does not own any material intellectual property.

INVESTMENT POLICY AND OBJECTIVES

Investment policy statement

The Investment Policy Statement sets the prudential rules concerning the investment policy of the Fund and presents the investment goals, objectives and the decision-making process for selecting investments in accordance with the investment objectives. The Investment Policy Statement provides criteria against which investment results will be measured and serves as a review document to monitor, evaluate and compare the performance of the Fund Manager on a regular basis.

The Investment Policy Statement was drafted and proposed by the Fund Manager, after consulting the Board of Nominees, with the observance of the investment limits set forth in the applicable laws and regulations and in the Articles of Association. The Investment Policy Statement was approved by the Fund's EGMS.

Investment objectives

The Fund's investment objective mentioned in the Investment Policy Statement consists of the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities.

Performance objectives

The Fund Manager pursues several performance objectives endorsed in the investment management agreement entered into between the Fund and the Fund Manager (the "**Investment Management Agreement**") and stated in the Investment Policy Statement, as follows:

(a) a discount objective, whereby the Fund Manager aims to ensure that the discount between the closing price for each trading day of the Shares and the latest reported NAV per share should be equal to or lower than 15% in at least two thirds of the trading days during the applicable reporting periods (i.e. a full calendar year starting on 1 July and ending on 30 June of the following year, the first reporting period starting on 1 October 2014 and ending on 30 June 2015; each a "**Reporting Period**"); and

(b) a NAV objective, whereby the Fund Manager aims to increase the level of the NAV (adjusted to reflect the value of the NAV as at the end of the applicable Reporting Periods, as well as any returns to shareholders achieved after 30 September 2013, Fund Manager fees and transaction costs), divided by the total number of Shares, less treasury Shares, held at the end of each Reporting Period, above the level of the NAV per share reported as at 30 September 2013.

The Fund Manager aims to meet the performance criteria by implementing corporate actions, subject to approval by the Fund's shareholders, with the objective of narrowing down the discount between the Fund's NAV per share and the Shares market price. Such corporate actions include the secondary listing of the Fund and the buyback programmes conducted by the Fund. Considering that the management fee payable to the Fund Manager is calculated based on the market capitalization of the Fund, which is in direct proportion with the market value per Share, any action of the Fund Manager leading to an increase of the share price will have an impact on the amount of the management fee. In order to prevent a potential conflict of interests between itself and the Fund arising from the increase of the Shares market price, the Fund Manager observes rigorously the requirements approved by the Fund's shareholders and acts under the close monitoring of the Board of Nominees and generally observes the specific conflicts of interest policies applicable to the Fund. See Section "*Corporate management system—Conflict of interests*" for further details on the prevention of conflicts of interest between the Fund and the Fund Manager.

General principles for achieving the Fund's objectives

According to the Investment Policy Statement, the Fund Manager shall, in the absence of investment opportunities offering better returns for shareholders, use all or a significant part of the proceeds from dividends and disposal of portfolio companies to implement measures aimed at maximising cash returns to the Fund's shareholders and fulfilling the Fund's performance objectives. To this end, the Fund Manager may employ discount management techniques as provided for in the Investment Policy Statement, which include (without limitation) the following: (i) recommending of Share buy-back programs to shareholders for approval; (ii) decreasing of the nominal value of the Shares, followed by cash distribution to shareholders; (iii) subject to available liquidity, carrying out buy-back programs via trading on the regular market or via public tender offers; and (iv) increasing investor demand for the Shares, with the aim of increasing the market price (via, *inter alia*, increasing the stake of listed companies in the Fund's portfolio, by maintaining a transparent dividend policy, by building good communication through active investor relations work and also by supporting initiatives to increase the visibility and attractiveness for investors of the Romanian regulated market). In relation to these techniques, the Fund Manager undertakes to pursue a clear investment strategy and to engage actively with the portfolio companies aiming to increase their value, while at the same time maintaining a constructive communication with the Fund's Board of Nominees.

The investment activity carried out by the Fund Manager, as well as the extent of the compliance with the Fund's Investment Policy Statement, is monitored by the Board of Nominees based on information and reports provided by the Fund Manager.

The Fund Manager has the power to make all decisions with respect to the investments of the Fund (including sector and security selection, portfolio construction, timing of transactions, choice of trading venue and structure of transactions), in accordance with the Investment Policy Statement, the Articles of Association and the applicable laws and regulations. The Fund Manager may buy, sell, exchange, exercise and/or transfer any rights and commit the Fund including with respect to entering into derivative transactions, loan agreements, repurchase agreements or securities lending operations. However, the entry by the Fund into certain transactions will require the prior approval of the Fund's shareholders (i.e. agreements creating obligations for the Fund including, without limitation, agreements for purchase, sale or exchange or creation of encumbrances over the non-current assets of the Fund whose value exceeds during a financial year 20% of the total value of the Fund's non-current assets, less receivables).

The Fund may not engage in transactions which involve a broker acting as principal, where the broker is also the investment manager (or an affiliate of such investment manager) who makes the transaction (or an affiliate of such investment manager).

Furthermore, the Investment Policy Statement provides that the Fund Manager must perform transactions at the lowest possible cost (to be determined having regard to commissions, efficiency of execution and the impact of the market) and best execution should be provided at all times.

The Fund Manager shall maintain adequate liquidity in order to at least cover the operating and tax expenses of the Fund, as well as the capital expenditures for the Fund's on-going activities and to ensure appropriate funds for dividend payments and share buy-backs.

Changes to the Investment Policy Statement

The Fund Manager and the Board of Nominees may propose on a regular basis changes to the Fund's Investment Policy Statement with a view to achieve the overall objectives of the Fund. Any such changes proposed to the Investment Policy Statement will not go beyond the investment limits provided in the applicable legislation and will comply in all cases with the applicable legislation. Such proposed changes to the Fund's Investment Policy Statement must be approved by the Fund's EGMS before implementation.

The Fund's EGMS called for 27 April 2015 will discuss, *inter alia*, a proposed amendment to the current Investment Policy Statement to reflect the possibility that the Fund may in the future conduct buy-back programmes in respect of GDRs corresponding to Fund's Shares.

Borrowing capacity of the Fund

For the fulfilment of its business object, the Fund uses the financial sources established pursuant to the law, banking credits and other financial sources. The Fund is authorised to issue bonds in accordance with the applicable legal provisions. The Fund is not allowed to conclude loan agreements for investment purposes. There are no other limitations to the Fund's borrowing capacity.

Investor profile

The Fund was incorporated by the Romanian State with the special purpose of providing compensation to individuals whose real estate assets had been abusively confiscated by the Romanian state during the communist regime and which may no longer be subject to in-kind restitution thereto.

The initial share capital of the Fund has been subscribed and substantially paid up (in a proportion of approximately 97%) by the Romanian State through various cash contributions and in kind contributions, mainly in the form of stakes in various Romanian companies (many of which are still part of the portfolio of the Fund at the date of this Prospectus) and therefore the initial sole shareholder of the Fund was the Romanian State. Since the Fund's incorporation, the Shares have been awarded by the National Authority for Property Restitution to individuals legally entitled to receive compensation from the Romanian State and who chose to convert their compensation entitlements into Shares issued by the Fund. As a result of the compensation and conversion process the Romanian State's participation in the share capital of the Fund has continuously decreased to 4,688,467 shares as at 31 March 2015 (representing approximately 3% of the Fund's issued share capital). Law no. 10/2015, which entered into force in January 2015, confirmed that the Romanian State will not continue to use the compensation scheme through the Fund's Shares in the future.

As at 31 March 2015, approximately 65% of the Fund's paid-up share capital is held by foreign and Romanian institutional shareholders.

An investment in the Fund by means of GDRs is only suitable for persons:

(a) for whom the investment in the Fund is part of a diversified portfolio;

(b) who understand that there may be limited liquidity in the Fund and in the companies which form the Fund's portfolio; and

(c) who fully understand and can bear the risks involved in such an investment, such as the potential risk of total or partial capital loss.

Additional risks and uncertainties not currently known to the Fund, or risks that the Fund deems to be immaterial, may have an adverse effect on the business of the Fund. Therefore, potential investors should carefully review this Prospectus and consult their advisers.

Assets in which the Fund is allowed to invest

In line with the applicable regulatory framework, the Articles of Association and the Investment Policy Statement, at the date of this Prospectus the Fund is allowed to invest only in the following assets:

(a) securities and money market instruments registered or traded on a regulated market in Romania or in a member state of the European Union (an "**EU Member State**");

(b) securities and money market instruments admitted to trading on a stock exchange of a state which is not an EU member state (a "**Non-Member State**") or negotiated on another regulated market in a Non-Member State, operating regularly, recognised and opened to the public, provided that the choice of the stock exchange or of the regulated market is approved by the FSA or is included in the Articles of Association as approved by the FSA;

(c) newly issued securities if (1) the issuance conditions include a firm commitment that the admission to trading on a stock exchange or another regulated market operating regularly, recognised and open to the public shall be requested, provided that the choice regarding the stock exchange or the regulated market is approved by the FSA or included in the Articles of Association as approved by the FSA; and (2) such admission is made within one year from the issuance;

(d) units in undertakings for collective investment in transferable securities ("**UCITS**") and/or in other undertakings for collective investment ("**Non-UCITS**"), under certain conditions (including the condition that a maximum of 10% of the total assets of the UCITS/Non-UCITS in which the investment is intended may be invested in units issued by other UCITS/Non-UCITS);

(e) deposits with credit institutions, reimbursable upon request, with a maturity of maximum 12 months, provided that the credit institution has its permanent establishment in Romania or in an EU Member State, or, if the permanent establishment of the credit institution is in a Non-Member State, provided that it observes prudential rules considered by the FSA to be equivalent to those stated for the European Union;

(f) financial derivatives, including those involving final settlement of funds, traded on a regulated market as presented in paragraphs (a) and (b) above and/or financial derivatives negotiated over-the-counter, under certain conditions (including the condition that the underlying asset consists in instruments in which the Fund is allowed to invest, financial index, interest rate and FX rate); and

(g) other money market instruments than those negotiated on a regulated market, which are liquid and the value of which may be determined precisely at any moment, provided that the issuance or issuer are subject to regulations referring to the protection of investors and their savings, under certain conditions.

Investment restrictions

The Fund's investment policy will observe the prudential limits of investment provided for in the Articles of Association and in the applicable laws and regulations, including, without limitation, Law 247/2005 and Law no 297/2004 regarding capital markets, as subsequently amended and supplemented (the "**Capital Markets Law**"), as follows:

(a) the Fund may hold a maximum of 20% of its assets in transferable securities and money market instruments not admitted to trading (except for government securities and bonds issued by the Romanian Ministry of Public Finance, for which there is no investment limit). Unlisted securities received by the Fund from the Romanian State, represented by the Ministry of Economy and Finance, the Ministry of Communication and Information Technology, the Authority for State Assets Recovery and the Ministry of Transport, pursuant to the provisions of Law 247/2005, and from Electrica S.A. are not taken into account for computing this holding limit;

(b) the Fund may acquire only those movable and immovable assets that are necessary for conducting its business;

(c) the Fund cannot invest more than 10% of its assets in instruments (including listed securities, newly issued securities, units in UCITS or Non-UCITS or listed money market instruments) issued by the same issuer (with the exception of government bonds). Original contributions from the Romanian State are exempted from this limitation; however, the Fund is not allowed to acquire any new securities issued by issuers in which the Fund has originally received shares from the Romanian State until the Fund's holding decreases below the holding limit, with the exception of the instruments acquired based on preemptive rights, which may be held for maximum 120 calendar days;

(d) the Fund cannot invest more than 10% of its assets in financial instruments issued by entities belonging to the same group of companies;

(e) the Fund cannot invest more than 10% of its assets in units issued by UCITS or Non-UCITS;

(f) except for certain situations and for a period not exceeding 90 calendar days, the current accounts and cash held by the Fund cannot exceed 20% of its assets;

(g) the amount of bank deposits with the same credit institution cannot represent more than 10% of the Fund's assets;

(h) the exposure to the counterparty risk in a transaction with derivatives traded off the regulated markets cannot exceed 10% of the Fund's assets, irrespective of the counterparty, while the global exposure through derivatives cannot exceed 15% of the total allocation of net assets of the Fund;

(i) the Fund may exceed the investment limits regarding financial instruments upon exercise of subscription preference rights attached to such instruments, on the condition that it does not exceed a period of 120 calendar days (this rule is not applicable in the case of holdings in non-listed securities obtained from the Romanian State);

(j) the Fund must invest at least 20 % of its assets in: (i) securities listed on a regulated market or on an alternative trading system from Romania or from an EU Member State; (ii) securities admitted to trading on a stock exchange of a Non-Member State or negotiated on another regulated market in a Non-Member State operating regularly, recognised and open to the public, provided that the choice of the stock exchange or of the regulated market is approved by the FSA or is included in the Articles of Association as approved by the FSA; (iii) newly issued securities, under certain conditions; or (iv) units in or securities issued by UCITS and certain types of Non-UCITS under certain strict conditions provided for by the law; and

(k) the Fund may not engage in short selling of securities.

In addition, the Investment Policy Statement provides that, under normal market conditions, the Fund should have at least 80% of its net assets invested in Romanian equity and equity-linked securities.

The Fund Manager will inform investors with respect to any breach of the investment restrictions applicable to the Fund by publishing current reports with the FSA, on the website of the Bucharest Stock Exchange and on its website, within 24 hours of such breach.

Compliance with the investment limitations

The Fund is restricted from investing more than 10% of its assets directly or indirectly in a single underlying asset. However, as at 31 December 2014 the Fund held 33.16% of its NAV in shares issued by OMV Petrom (a Romanian joint stock company, listed on the Bucharest Stock Exchange, registered with the Bucharest Trade Registry Office under number J40/8302/1997, having its corporate seat in Bucharest, Romania and its business address at 22 Coralilor Street, 1st District, Bucharest 013329, Romania), while holdings in Hidroelectrica and Romgaz accounted for 16.5% and respectively 10.3% of NAV. These particular holdings derive from the original contribution of the Romanian State to the Fund's share capital and, accordingly, are exempted from such restriction. The Fund is not allowed to acquire new shares in these companies until its holding decreases below the prudential limit of 10% of the Fund's assets. See "*Portfolio—Main companies in the Fund's portfolio*".

At the date of this Prospectus, there are no investments by the Fund in collective investment undertakings or, save as noted above, no exposures of more than 20% of the Fund's assets to the creditworthiness or solvency of any single counterparty.

Use of derivatives

The Fund is permitted to use derivatives, either for investment or risk hedging purposes. However, up to the date of this Prospectus, the Fund has not entered into any derivative transactions. The Fund Manager currently has no plan to use derivatives on behalf of the Fund.

Nevertheless, should the Fund Manager decide in the future to make use of derivative transactions, either for investment or risk hedging purposes, the Fund Manager will need to observe the relevant rules on the assets in which the Fund is allowed to invest (see section "*Assets in which the Fund is allowed to invest*" above). In addition, the Fund Manager will be required to observe rules on the exposure of the Fund to derivative transactions, i.e. the exposure to the counterparty risk in a transaction with derivatives traded off the regulated markets cannot exceed 10% of the Fund's assets, irrespective of the counterparty, while the global exposure through derivatives cannot exceed 15% of the total allocation of net assets of the Fund.

PORTFOLIO

Net Asset Value

The key performance indicator of the Fund is its NAV. The Fund Manager is responsible for the valuation of the Fund's assets and is bound by FSA regulations to act with honesty, fairness and professional diligence and adopt such valuation methods that ensure the protection of investors' interests and market integrity.

The valuation methods in accordance with the International Valuation Standards (at fair value) must be included in the internal regulations of the Fund Manager and submitted to the FSA for approval. Valuation in accordance with these methods may be carried out only after the approval by the FSA of the changes made to the internal regulations of the Fund Manager and must be carried out by persons qualified to understand and apply these standards (i.e. members of the National Association of Authorised Valuers in Romania or of other similar professional bodies). The Fund Manager employs such qualified persons to perform valuation services in relation to various assets in the Fund's portfolio.

The Fund is required under FSA regulations to prepare reports on NAV as at close of business on the last business day of each month. The reports thus prepared are accompanied by an annex evidencing the valuation method for each of the Fund's assets, which are certified by the Custodian. In case of any changes in the valuation method, the NAV report shall include a description of the reasons determining such change and the way such change affects the interests of the Fund's shareholders.

All NAV reports are published no later than 15 calendar days after the reporting month end on the Fund's website at www.fondulproprietatea.ro, together with Share price and discount information, and on the Bucharest Stock Exchange website at www.bvb.ro.

The following table shows information on the NAV as at 31 December 2014, 2013 and 2012:

	As at 31 December		
	2014	**2013**	**2012**
Number of shares*	10,915,975,273	12,071,882,101	13,172,475,365
Total NAV (*RON Million*)	13,236.70	15,013.74	14,979.20
NAV per share (*RON*)	1.2125	1.2436	1.1371

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data, based on NAV reports submitted to the FSA, unaudited.

*Represents the number of Shares corresponding to the issued and fully paid share capital, less treasury shares held by the Fund.

The following table shows information on the NAV as at 31 March 2015, 27 February 2015, 30 January 2015 and 31 December 2014:

	As at			
	31 March 2015	**27 February 2015**	**30 January 2015**	**31 December 2014**
Total NAV (*RON Million*)	12,605.18	12,741.94	12,812.58	13,236.70
NAV per share (*RON*)	1.1706	1.1792	1.1829	1.2125
Number of shares *	10,767,837,602	10,805,440,701	10,831,101,602	10,915,975,273

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data, based on NAV reports submitted to the FSA, unaudited.

*Represents the number of Shares corresponding to the issued and fully paid share capital, less treasury shares held by the Fund.

Please see also Section "*Analysis of the portfolio of the Fund – Overview – Developments in the Portfolio as of 31 December 2014 to 31 March 2015*".

NAV Methodology

Overview

The Fund determines its NAV in accordance with the rules set forth by the Fund's Regulation. The NAV is calculated as difference between the total value of assets, less the total value of liabilities, total value of provisions and revenues registered in advance. The total value of the Fund's assets is calculated on a monthly basis by aggregating: (a) non-current assets (intangible assets, tangible assets and financial assets), (b) current assets, (c) derivative instruments and (d) prepaid expenses. The total value of the Fund's liabilities is determined based on the information derived from the Fund's accounting records prepared under the applicable official accounting regulations in force.

The NAV per share is calculated under the following formula:

$$\text{NAV per share} = \frac{\text{NAV}}{\textit{number of issued and paid shares (excluding treasury shares)}}$$

** Represents the number of shares related to the paid in subscribed share capital (according to provisions of Law 247/2005, Title VII, Art. 92, alin. 5 "Subscribed unpaid shares are not taken into account for the computation of net asset value per share for Fondul Proprietatea") excluding the Fund's Treasury shares, according to the provisions of the Fund's Regulation.*

Specific rules for the valuation of different types of assets

The valuation of the Fund's assets, other than expressly regulated by the Fund's Regulation and evidenced below is carried out in accordance with the applicable official accounting regulations.

Securities and money market instruments traded on a regulated market

Securities and money market instruments admitted to trading or traded on a regulated market operated in Romania, in an EU Member State or in a Non-Member State, which are registered in the Fund's accounting records as non-current financial assets or current assets, are valued using one of the following methods:

- the method based on the relevant main market section closing price on the valuation date, for securities and money market instruments traded during the last 30 trading days prior to the valuation date; or
- valuation methods in accordance with the International Valuation Standards (at fair value), as approved by the management of the Fund Manager, upon occurrence of an event consisting in the change of the nominal value of the share, allocation of bonus shares or other similar events impacting on the market value of securities or money market instruments traded during the last 30 trading days prior to the valuation date, if such event occurs within the same 30 trading days; or
- the methods used for the valuation of non-listed shares, as described in section "*Unlisted shares*", for securities not traded during the last 30 trading days prior to the valuation date.

Securities and money market instruments traded on an alternative trading system

Securities and money market instruments traded on an alternative trading system and registered in the Fund's accounting books as non-current financial assets or current assets are valued using one of the following methods:

- the method based on the reference price provided in trading systems other than regulated markets, including alternative trading systems, by the operator of the respective trading system, on the valuation date, for securities and money market instruments traded in the 30 trading days prior to the valuation date; or
- valuation methods in accordance with the International Valuation Standards (at fair value), as approved by the management of the Fund Manager, upon occurrence of an event consisting in the change of the nominal value of the share, allocation of shares free of charge or other similar events impacting on the market value of securities or money market instruments traded during

the last 30 trading days prior to the valuation date, if such event occurs within the same 30 trading days; or

- the methods used for the valuation of non-listed shares, as described in section "*Unlisted shares*", for securities not traded during the last 30 trading days prior to the valuation date.

- the method based on the recognition on a daily basis of the interest accrued since acquisition, for money market instruments not traded during the last 30 trading days prior to the valuation date.

Securities admitted to trading on more than one regulated market or on more than one trading system (other than regulated markets), including alternative trading systems, from Romania, an EU Member State or from a Non-Member State, which are traded during the last 30 trading days prior to the valuation date, will be valued either at: (i) the main market section closing price (valid on the valuation date) or (ii) at the reference price provided on the alternative trading systems with the highest liquidity and frequency levels of trading of that financial instrument, determined as per article 9 of Regulation 2006/1287/EC implementing Directive 2004/39/EC of the European Parliament and of the Council regarding record-keeping obligations for investment firms, transaction reporting, market transparency, admission of financial instruments to trading, and defined terms for the purposes of that Directive, on the valuation date.

Unlisted shares

Shares held by the Fund in an unlisted company are valued based either on: (i) the value of the issuing company's own capital (shareholders equity), as reflected in its most recent annual financial statements (prepared either in accordance with the local accounting regulations applicable to the issuer or in accordance with IFRS) or on (ii) valuation methods in accordance with the International Valuation Standards (at fair value), as approved by the management of the Fund Manager.

For credit institutions, the valuation is based on the value of the credit institution's own capital as reflected in the monthly reports submitted to the NBR.

Shares issued by companies in insolvency or similar proceedings or with negative equity

Shares issued by companies subject to insolvency or reorganisation proceedings are included in the calculation of the Fund's NAV from the date when the insolvency or reorganisation announcement is published on the website of the regulated market or of the alternative trading system where such shares are traded, either (i) at zero value or (ii) at the value assessed by an independent valuer using valuation methods in accordance with the International Valuation Standards (at fair value), according with the Fund Manager's decision. If the Fund Manager chooses to use valuation methods in accordance with the International Valuation Standards (at fair value), it is mandatory that the Fund Manager uses the value assessed by the independent valuer in the computation of Fund’s NAV.

Shares issued by companies subject to judicial liquidation proceedings or other forms of liquidation proceedings and by companies placed into temporary or permanent cessation of business are included in the Fund's NAV at zero value since the date when the announcement in respect of such measures is published on the website of the regulated market or of the alternative trading system where such shares are traded.

In the case of companies placed in insolvency or reorganisation proceedings, in respect of which the shares have been readmitted to trading on a regulated market or an alternative trading system as a result of a definitive and irrevocable court ruling on the confirmation by the assigned syndic judge of the reorganisation plan of the respective company, the valuation of such shares will be made in accordance with the methods described in sections "*Securities and money market instruments traded on a regulated market*" and "*Securities and money market instruments traded on an alternative trading system*" above, as the case may be.

Shares issued by companies in the Fund's portfolio, having negative own capital value (shareholders equity), which are not admitted to trading in Romania, in the EU or in a Non-Member State, or admitted to trading on a regulated market or on trading systems other than regulated markets, including alternative trading systems, from Romania, an EU Member State or a Non-Member State, but which are not traded during the last 30 trading days prior to the valuation date, are included in the Fund's NAV at zero value.

Fixed income financial instruments

Fixed income financial instruments admitted to trading on a regulated market or on trading systems other than regulated markets, including alternative trading systems, in Romania, an EU Member State or a Non-Member State are valued using one of the following methods:

- the relevant main market section closing price, or the reference price provided in trading systems other than regulated markets, including alternative trading systems, corresponding to the valuation date; or
- the method based on the daily accrual of interest and the depreciation of the discount/premium corresponding to the period of time elapsed since the date of the placement; or
- the method based on the use of market quotations in the case of the existence of relevant composite price markers published by official institutions or private firms, which are internationally recognised (e.g. NBR, Bloomberg, Reuters).

The Fund Manager must maintain the valuation method chosen among the methods listed above for at least one year.

Fixed income financial instruments which are not admitted to trading on a regulated market or on other trading systems, including alternative trading systems in Romania, in an EU Member State or a Non-Member State, are valued using the valuation methods described at the second and third bullets above.

Coupons corresponding to fixed income instruments which are not received within 10 business days after the date specified in the issue prospectus for those instruments will be reflected in the Fund's NAV at zero value.

Bank deposits, current accounts and deposit certificates

Bank deposits and deposit certificates are valued by adding to the nominal value of bank deposits and deposit certificates the cumulated accrued interest until the valuation date. The cash available in the current accounts is valued based on the available account balance as at the valuation date. Amounts available in the Fund's current accounts opened with credit institutions which are subject to bankruptcy proceedings shall be reflected in the NAV calculation of the Fund at zero value.

Units issued by investment funds

Participation units issued by a UCITS or by Non-UCITS, which are not traded on a regulated market, are valued at the latest net asset value per unit calculated and published by the respective undertakings. Participation units issued by UCITS/Non-UCITS traded on a regulated market are valued based on the relevant main market section closing price from the valuation date, for participation units traded during the last 30 trading days prior to the valuation date.

Commercial paper

Commercial paper instruments are valued using the valuation methods indicated in the section "*Fixed income financial instruments*" above.

Derivatives

Derivative instruments from the Fund's portfolio are valued based on the following rules:

- derivatives traded on regulated markets are valued based on the closing market price of such derivatives; and
- over the counter derivatives are valued based on techniques specific for the financial markets (e.g. the current value of another similar financial instrument, cash flow analysis and option valuation) observing the fair value principle.

Dividends and shares received in various corporate operations

Dividends and bonus shares distributed to the Fund as result of the participation to share capital increases are registered in the assets of the Fund on the first day after the registration date (on which the investors who are entitled to dividends are determined) or on the first date on which the investors buying shares can no longer participate to the share capital increase (in the case of bonus shares distribution).

In the case of share capital increase operations based on cash contributions, without issuance of preference rights, the shares awarded to the Fund and the amount of the contributions owed by the Fund to the share capital increase are registered in the assets of the Fund:

- on the first day on which the investors buying the shares can no longer participate to the share capital increase, if the market price is higher than the subscription price and the Fund Manager decides to participate to the share capital increase; or

- on the date of the effective payment of the shares subscribed in the share capital increase, if the requirements specified in the bullet above are not met.

In the case of share capital increase operations based on cash contributions from investors, with issuance of preference rights, the shares awarded to the Fund are registered in the Fund's assets at the date of the effective payment of the shares subscribed in the share capital increase.

Bonus shares received by the Fund, as well as the shares awarded to the Fund in exchange of cash contributions registered in the Fund's assets in accordance with the provisions of the first bullet above, are valued either (i) at the main market section closing price or (ii) at the reference price provided in other trading systems than regulated markets, including alternative trading systems, by the operator of the respective trading system, in each case at valuation date. The amount owed as a result of the participation to a share capital increase registered in the Fund's assets in accordance with the first bullet above will be valued at subscription value.

Dividends and bonus shares distributed to the Fund which are not received within the applicable legal period are reflected in the Fund's assets at zero value.

Shares resulting from the split or the reverse split of the nominal value of listed shares are valued before admission to trading by dividing or multiplying the value of the shares price prior to the split or reverse split by the split or reverse split ratio, respectively.

Preference rights

Preference rights issued in the course of a share capital increase are registered in the Fund's assets on the first day when the investors acquiring shares may no longer participate to the share capital increase. Preference rights are valued at theoretical value up to the first trading day; the theoretical value of preference rights is computed based on the following formula:

Theoretical value of the preference right = (old shares market price – new shares subscription price based on the preference right)[number of new shares/(number of old shares + number of new shares)]*(number of old shares/number of issued preference rights),*

where the market price of old shares is the market closing price from the last day when the investors acquiring shares are entitled to participate to the share capital increase.

After admission to trading, preference rights will be valued at the relevant main market section closing price, on the valuation date. If preference rights are not traded, the Fund will continue to value them at theoretical value.

After the trading period for the preference rights and until they are exercised, preference rights will be valued at the last closing price of the trading period.

Upon exercise of the preference rights, the resulting shares will be registered appropriately in the Fund's assets.

Rules for the booking of certain types of assets

For the purpose of the monthly reporting of the NAV to the FSA, the Bucharest Stock Exchange and investors:

- securities traded during the last 30 trading days prior to the publication of the monthly NAV report, UCITS participation units, as well as money market instruments are deemed current assets;
- securities which have never traded or which were not traded during the last 30 trading days prior to the publication of the monthly NAV report, newly issued securities, as well as securities other than those previously mentioned are deemed non-current financial assets;
- Non-UCITS participation units are deemed either as current assets or as non-current financial assets.

Analysis of the portfolio of the Fund

Overview

The following table shows the breakdown of the Fund's assets computed according to the Fund's Regulation as included in the NAV report for the month ended 31 December 2014, 2013 and 2012 (published on http://www.fondulproprietatea.ro/investment-snapshot/net-asset-value/monthly-nav):

	31 December		
	2014	**2013**	**2012**
		unaudited *RON*	
Non-current Assets	**6,486,201,103.13**	**6,385,888,662.00**	**8,151,616,080.61**
Intangible assets	837,387.74	760,113.40	323,413.45
Tangible assets	0.00	0.00	0.00
Financial assets	6,485,363,715.39	6,385,128,548.60	8,151,292,667.16
Listed shares**	7,332,797.35	10,026,949.09	35,015,160.55
Unlisted shares	6,478,030,691.25	6,375,101,372.72	8,116,277,279.82
Government securities	0.00	0.00	0.00
Certificates of deposits	0.00	0.00	0.00
Bank deposits	0.00	0.00	0.00
Municipal bonds	0.00	0.00	0.00
Corporate bonds	0.00	0.00	0.00
Newly issued securities	0.00	0.00	0.00
Participation titles of UCITS and/or of Non-UCITS	0.00	0.00	0.00
Other financial assets	226.79	226.79	226.79
Current assets	**6,806,937,228.02**	**8,688,299,952.35**	**6,865,421,130.12**
Inventory	0.00	0.00	0.00
Receivables out of which:	8,556,095.34	2,819,999.10	2,638,208.97
- commercial papers	0.00	0.00	0.00
Cash	6,879,128.79	5,552,476.95	1,857,627.12
Short term financial investments	6,487,488,092.22	8,234,181,942.81	6,088,882,985.68
Listed shares**	6,487,488,092.22	8,234,181,942.81	6,088,882,985.68
Unlisted shares	0.00	0.00	0.00
Municipal bonds	0.00	0.00	0.00
Corporate bonds	0.00	0.00	0.00
Participation titles of UCITS and/or of Non-UCITS	0.00	0.00	0.00
Newly issued securities	0.00	0.00	0.00
Government securities	194,588,981.85	213,635,520.72	454,732,856.81
Bank deposits	109,424,929.82	232,110,012.77	317,309,451.54
Certificates of deposits	0.00	0.00	0.00
Other current assets	0.00	0.00	0.00
Derivatives	**0.00**	**0.00**	**0.00**
Prepaid expenses	**44,627.48**	**43,881.55**	**27,198.57**
Total assets	**13,293,182,958.63**	**15,074,232,495.90**	**15,017,064,409.30**
Net Asset Value	**13,236,700,614.13**	**15,013,742,081.74**	**14,979,202,005.64**
No of shares issued*	**10,915,975,273.00**	**12,071,882,101.00**	**13,172,475,365.00**
Net asset value per share	**1.2125**	**1.2436**	**1.1371**
Number of portfolio companies out of which:	53	62	69
Companies admitted to trading on a regulated market**	17	24	25
Companies admitted to trading on an alternative regulated market	0	0	0
Companies not admitted to trading	36	38	44

* Represents the number of shares related to the paid-up subscribed share capital (according to provisions of Law 247/2005, Title VII, article 92 (5) "*Subscribed unpaid shares are not taken into account for the computation of net asset value per share for Fondul Proprietatea*") excluding the Fund's own shares bought back (*Treasury shares*), according to provisions of the Fund's Regulation.

** Includes also the value of holdings / number of companies admitted to trading on RASDAQ.

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2014, 2013 and 2012, unaudited

At 31 December 2014, the Fund's reported NAV was RON 13.24 billion, of which listed equities accounted for 49.1%, unlisted equities 48.9%, while net cash and receivables represented 2.0%. At the end of 2014, the Fund had exposure only to Romania. In terms of sectors, oil and gas accounted for 43.7% of NAV, followed by distribution and supply of electricity and gas (26.06% of NAV), electricity production (18.88% of NAV), infrastructure (3.85% of NAV), banks (2.76% of NAV), heavy industry (1.42% of NAV), aluminium (0.64% of NAV) and postal services (0.42% of NAV). At the end of 2014, the Fund's top ten holdings, accounting together for 82.38% of the Fund's NAV, were the oil and gas company OMV Petrom (33.2% of NAV), the hydropower producer Hidroelectrica (16.5% of NAV), the natural gas producer Romgaz (10.3% of NAV), the electricity distributors Enel Distributie Banat (4.8% of NAV) and Enel Distributie Muntenia (3.5% of NAV), the gas supplier and distributor GDF Suez Energy Romania (3.5% of NAV), the electricity and gas distributor E.ON Distributie Romania (3.3% of NAV), the electricity distributor Enel Distributie Dobrogea (3.0% of NAV), the airport operator Aeroporturi Bucuresti (2.5% of NAV) and the electricity distributor Electrica Distributie Muntenia Nord (1.8% of NAV).

The following table shows the top ten portfolio holdings as at 31 December 2014:

Company name	**Share capital held by the Fund**	**NAV**	**NAV**
	(%)	*(RON Million)*	*(%)*
OMV Petrom SA	19.0%	4,389.5	33.2%
Hidroelectrica SA	19.9%	2,178.1	16.5%
Romgaz SA	10.0%	1,362.9	10.3%
Enel Distributie Banat SA	24.1%	640.5	4.8%
Enel Distributie Muntenia SA	12.0%	465.8	3.5%
GDF Suez Energy Romania SA	12.0%	461.3	3.5%
E.ON Distributie Romania SA	18.3%	441.5	3.3%
Enel Distributie Dobrogea SA	24.1%	396.9	3.0%
CN Aeroporturi Bucuresti SA	20.0%	332.3	2.5%
Electrica Distributie Muntenia Nord SA	22.0%	235.6	1.8%
Top 10 Portfolio Holdings		10,904.4	82.4%
NAV		13,236.7	100%
NAV per share (RON)		1.2125	

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

At 31 December 2013, the Fund's reported NAV was RON 15.01 billion, of which listed equities accounted for 54.91%, unlisted equities 42.46%, while net cash and receivables represented 2.63%. In terms of geography, Romania represented by far the largest exposure with 99.18% of the NAV, followed by Austria, which accounted for the remaining 0.82% of the NAV. In terms of sectors, oil and gas accounted for 47.63% of NAV, followed by electricity and gas transport, distribution and supply (22.36% of NAV), electricity production (19.10% of NAV), banks (3.05% of NAV), infrastructure (2.70% of NAV), heavy industry (1.08% of NAV), aluminium (0.70% of NAV) and postal services (0.40% of NAV). At the end of 2013, the Fund's top ten holdings, accounting together for 80.41% of the Fund's NAV, were the oil and gas company OMV Petrom (33.7% of NAV), the hydropower producer Hidroelectrica (14.9% of NAV), the natural gas producer Romgaz (13.2% of NAV), the electricity distributors Enel Distributie Banat (3.8% of NAV) and Enel Distributie Muntenia (3.2% of NAV), the gas supplier and distributor GDF Suez Energy Romania (2.7% of NAV), the electricity distributors Enel Distributie Dobrogea (2.5% of NAV) and E.ON Moldova Distributie (2.3% of NAV), the lignite fired power producer Complexul Energetic Oltenia (2.1% of NAV) and the nuclear power producer Nuclearelectrica (2.0% of NAV).

The following table shows the top ten portfolio holdings as at 31 December 2013:

Company name	**Share capital held by the Fund**	**NAV**	**NAV**
	(%)	*(RON Million)*	*(%)*
OMV Petrom SA	19.0%	5,054.4	33.7%
Hidroelectrica SA	19.9%	2,239.4	14.9%
Romgaz SA	15.0%	1,975.7	13.2%
Enel Distributie Banat SA	24.1%	573.2	3.8%
Enel Distributie Muntenia SA	12.0%	473.1	3.2%
GDF Suez Energy Romania SA	12.0%	404.4	2.7%
Enel Distributie Dobrogea SA	24.1%	379.1	2.5%
E.ON Moldova Distributie SA	22.0%	345.4	2.3%
Complexul Energetic Oltenia SA	21.5%	321.6	2.1%
Nuclearelectrica SA	9.7%	306.7	2.0%
Top 10 Portfolio Holdings		12,073.0	80.4%
NAV		15,013.7	100%
NAV per share (RON)		1.2436	

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2013, based on NAV reports submitted to FSA, unaudited.

At 31 December 2012, the Fund's reported NAV was RON 14.98 billion, of which unlisted equities accounted for 54.18%, listed equities 40.88%, while net cash and receivables represented 4.94%. In terms of geography, Romania represented by far the largest exposure with 98.92% of the NAV, followed by Austria, which accounted for the remaining 1.08% of the NAV. In terms of sectors, oil and gas accounted for 41.88% of NAV, followed by electricity production (23.56% of NAV), electricity and gas transport, distribution and supply (21.33% of NAV), banks (2.92% of NAV), infrastructure (2.56% of NAV), aluminium (0.97% of NAV), heavy industry (0.94% of NAV) and postal services (0.54% of NAV). At the end of 2012, the Fund's top ten holdings, accounting together for 77.04% of the Fund's NAV, were the oil and gas company OMV Petrom (32.6% of NAV), the hydropower producer Hidroelectrica (13.4% of NAV), the natural gas producer Romgaz (8.7% of NAV), the lignite fired power producer Complexul Energetic Oltenia (5.9% of NAV), the nuclear power producer Nuclearelectrica (4.3% of NAV), the electricity distributor Enel Distributie Banat (3.0% of NAV), the gas transport operator Transgaz (2.6% of NAV), the electricity distributor Enel Distributie Muntenia (2.30% of NAV), natural gas supplier and distributor GDF Suez Energy Romania (2.3% of NAV) and the electricity distributor E.ON Moldova Distributie (2.2% of NAV).

The following table shows the top ten portfolio holdings as at 31 December 2012:

Company name	**Share capital held by the Fund**	**NAV**	**NAV**
	(%)	*(RON Million)*	*(%)*
OMV Petrom SA	20.1%	4,876.5	32.6%
Hidroelectrica SA	19.9%	2,001.0	13.3%
Romgaz SA	15.0%	1,296.3	8.6%
Complexul Energetic Oltenia SA	21.5%	880.0	5.9%
Nuclearelectrica SA	9.7%	648.0	4.3%
ENEL Distributie Banat SA	24.1%	445.5	3.0%
Transgaz SA	15.0%	384.7	2.6%
Enel Distributie Muntenia SA	12.0%	344.0	2.3%
GDF Suez Energy Romania	12.0%	339.6	2.3%
E.ON Moldova Distributie SA	22.0%	324.0	2.2%
Top 10 Portfolio Holdings		11,539.6	77.1%
NAV		14,979.2	100%
NAV per share (RON)		1.1371	

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2012, based on NAV reports submitted to FSA, unaudited.

Developments in the Portfolio as of 31 December 2014 to 31 March 2015

The following table shows the breakdown of the Fund's assets for the months ended 31 March, 27 February and 30 January 2015 and any changes from 31 December 2014 (computed according to the Fund's Regulation as included in the NAV report published on http://www.fondulproprietatea.ro/investment-snapshot/net-asset-value/monthly-nav):

	31 December 2014	**30 January 2015**	**27 February 2015**	**31 March 2015**
		unaudited *RON*		
Non-current Assets	**6,486,201,103.13**	**6,476,083,098.57**	**6,481,921,873.23**	**6,481,623,580.85**
Intangible assets	837,387.74	811,039.86	784,691.98	843,809.48
Tangible assets	0.00	0.00	0.00	0.00
Financial assets	6,485,363,715.39	6,475,272,058.71	6,481,137,181.25	6,480,779,771.37
Listed shares**	7,332,797.35	8,119,479.25	14,028,078.83	13,670,668.95
Unlisted shares	6,478,030,691.25	6,467,152,352.67	6,467,108,875.63	6,467,108,875.63
Government securities	0.00	0.00	0.00	0.00
Certificates of deposits	0.00	0.00	0.00	0.00
Bank deposits	0.00	0.00	0.00	0.00
Municipal bonds	0.00	0.00	0.00	0.00
Corporate bonds	0.00	0.00	0.00	0.00
Newly issued securities	0.00	0.00	0.00	0.00
Participation titles of UCITS and/or of Non-UCITS	0.00	0.00	0.00	0.00
Other financial assets	226.79	226.79	226.79	226.79
Current assets	**6,806,937,228.02**	**6,393,242,335.74**	**6,303,860,836.58**	**6,168,794,139.54**
Inventory	0.00	0.00	0.00	0.00
Receivables out of which:	8,556,095.34	161,390,720.23	8,726,683.58	9,233,513.95
- commercial papers	0.00	0.00	0.00	0.00
Cash	6,879,128.79	1,376,598.90	1,249,384.15	1,274,010.92
Short term financial investments	6,487,488,092.22	5,996,112,581.00	6,101,257,947.48	6,004,357,691.00
Listed shares**	6,487,488,092.22	5,996,112,581.00	6,101,257,947.48	6,004,357,691.00
Unlisted shares	0.00	0.00	0.00	0.00
Municipal bonds	0.00	0.00	0.00	0.00
Corporate bonds	0.00	0.00	0.00	0.00
Participation titles of UCITS and/or of Non-UCITS	0.00	0.00	0.00	0.00
Newly issued securities	0.00	0.00	0.00	0.00
Government securities	194,588,981.85	159,115,577.19	109,642,744.17	109,936,591.60
Bank deposits	109,424,929.82	75,246,858.42	82,984,077.20	43,992,332.07
Certificates of deposits	0.00	0.00	0.00	0.00
Other current assets	0.00	0.00	0.00	0.00
Derivatives	**0.00**	**0.00**	**0.00**	**0.00**
Prepaid expenses	**44,627.48**	**41,248.07**	**43,678.65**	**205,432.55**
Total assets	**13,293,182,958.63**	**12,869,366,682.38**	**12,785,826,388.46**	**12,650,623,152.94**
Net Asset Value	**13,236,700,614.13**	**12,812,576,877.71**	**12,741,938,212.27**	**12,605,184,041.44**
No of shares issued*	**10,915,975,273.00**	**10,831,101,602**	**10,805,440,701**	**10,767,837,602**
Net asset value per share	**1.2125**	**1.1829**	**1.1792**	**1.1706**
Number of portfolio companies out of which:	53	53	53	53
Companies admitted to trading on a regulated market**	17	17	17	17
Companies admitted to trading on an alternative regulated market	0	0	0	0
Companies not admitted to trading	36	36	36	36

** Represents the number of shares related to the paid-up subscribed share capital (according to provisions of Law 247/2005, Title VII, article 92 (5) "Subscribed unpaid shares are not taken into account for the computation of net asset value per share for Fondul Proprietatea") excluding the Fund's own shares bought back (Treasury shares), according to provisions of the Fund's Regulation.*

***Includes also the value of holdings / number of companies admitted to trading on RASDAQ.*

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2014, 30 January 2015, 27 February 2015 and 31 March 2015, unaudited

On 6 August 2014, the FSA issued Instruction no 2, whereby entities authorised, regulated and supervised by the FSA in the Financial Investments and Instruments Sector, i.e. financial investment firms, investment management companies, collective investment undertakings, central depositaries, clearing houses and market/system operators (therefore including the Fund), were required to apply IFRS (as adopted by the European Union), as the basis of accounting with effect from 1 January 2015. As a result, starting on 1 January 2015 the Fund adopted IFRS as the statutory official accounting framework and used the accounting records under IFRS for the computation of the non-portfolio items in the 30 January 2015, 27 February 2015 and 31 March 2015 NAV reports.

On 20 February 2015 and 4 March 2015, the FSA sent letters to regulated entities stating that the implementation of IFRS as the official basis of accounting will be postponed until 1 January 2016 and regulated entities should apply in 2015 the Accounting Regulation. Although the draft FSA regulation concerning this matter was approved by the FSA Board on 25 February 2015, the final regulation has not been yet issued and published in the Official Gazette of Romania.

The changes of "Short term financial instruments – Listed shares" value was mainly influenced by the evolution of the share price of OMV Petrom shares (listed on Bucharest Stock Exchange), the holding in OMV Petrom being the largest holding in Fund's portfolio. The significant decrease of this caption of RON 491.4 million in January 2015 as compared to December 2014 was principally due to the decrease with 11.3% of the share price of OMV Petrom. In February 2015, the OMV Petrom share price increased with 3.7% as compared to January 2015, determining, to a large extent, the positive evolution of the value of this caption. In March 2015 the OMV Petrom share price decreased with 3.1% as compared to February 2015, generating a decrease of RON 96.9 million of the "Short term financial instruments – Listed shares" caption.

The Fund's equity holdings

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

As at 31 December 2014 and the date of this Prospectus, the entire equity exposure of the Fund was in Romanian companies operating mainly on the Romanian market. Romania continued to outpace other countries in the European Union with one of the highest Gross Domestic Product ("**GDP**") growth rates of 2.9% in 2014, and 2.6% in the fourth quarter of 2014. Rising private consumption, supported by growing wages, and continued fall in the unemployment rate has contributed significantly to this evolution, while exports, industrial production, and agriculture have also positively impacted GDP growth in 2014. The World Bank estimates that Romania's GDP will grow by 2.9% in 2015.

Breakdown by controlling ownership

As at 31 December 2014, the Fund's portfolio by controlling ownership was as follows:

Controlling ownership	% of NAV
State controlled entities	40.6%
Private companies	57.4%
Net cash and receivables*	2.0%

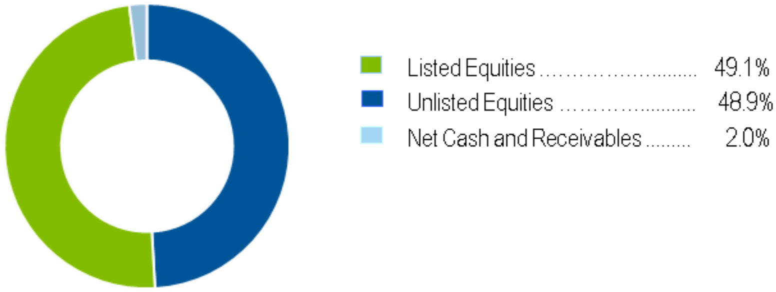
**bank deposits, current bank accounts, short-term treasury bills and bonds, dividend receivables, as well as other assets, net of all liabilities (including dividends and the liabilities to shareholders related to the return of capital) and provisions*

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

As at 31 March 2015, state controlled entities accounted for 42.5% of NAV, private companies accounted for 56.5% of NAV, while net cash and receivables represented 0.9% of NAV.

Breakdown of equity holdings in listed/unlisted

The following chart shows the breakdown of the Fund's portfolio by type of asset as at 31 December 2014, evidencing the contribution of listed and unlisted equities in NAV:



Net Cash and Receivables represents bank deposits, current bank accounts, short-term treasury bills and 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 31 December 2014, based on NAV reports submitted to FSA.

The largest listed company is OMV Petrom (67.6% of total value of listed companies in the portfolio as at 31 December 2014 and 64.9% as at 31 March 2015), while the largest unlisted company is Hidroelectrica (33.6% of the total value of unlisted companies in the portfolio as at 31 December 2014 and 33.7% as at 31 March 2015).

The entire listed equity exposure of the Fund at 31 December 2014 was in Romanian companies listed on the Regulated Market and RASDAQ Market of the Bucharest Stock Exchange (representing 49.1% of NAV as at 31 December 2014 and 47.7% as at 31 March 2015), with 8 companies listed on the Regulated Market and 9 companies listed on RASDAQ Market.

As at 31 March 2015, listed equities represented 47.74% of the NAV, unlisted equities represented 51.31% of the NAV, while net cash and receivables represented 0.95% of the NAV.

Bucharest Stock Exchange

Overview

The Bucharest Stock Exchange is the main stock exchange in Romania.

The Bucharest Stock Exchange calculates and distributes in real-time eight indices – BET, BET-XT, BET-BK, BET-FI, BET-NG, BET Plus, BET-TR and BET-XT-TR– and one index developed together with the Vienna Stock Exchange being the ROTX index. Also, it was included in several indices: FTSE Mondo Visione Exchanges Index, on November 9, 2010, BET Index, on March 21, 2011, Dow Jones Global Exchanges Index, on June 17, 2011, ROTX Index on September 19, 2011 and BET-BK on July 3, 2012.

The total market capitalisation of the Bucharest Stock Exchange reached EUR 30 billion in mid-2014, after registering steady increases for the last two years. Since January 2012, the domestic market capitalisation increased by 82% mainly due to the listing of five new companies on the Regulated Market and a 20% Compounded Annual Growth Rate (CAGR) of the Bucharest Stock Exchange’s main index BET. Moreover, the traded value for the equities market doubled over the same period.

Since the beginning of the third quarter of 2013, three new companies have been privatised via the stock market: the Romanian Government has sold 10% of Nuclearelectrica, 15% of Romgaz and 51% of Electrica. Electrica's public offering amounted to EUR 444 million and was the largest in Bucharest Stock Exchange's history. Romgaz's public offering amounted to EUR 383 million and was the second largest public offering recorded on the Bucharest Stock Exchange. Currently, there are several other State-owned companies planning to list on the Bucharest Stock Exchange.

Bucharest Stock Exchange's primary objective, widely supported by the market participants, the FSA and the Romanian Government, is the upgrade of the Romanian capital market to Emerging Market status by international recognised bodies.

Markets

The Bucharest Stock Exchange currently operates three markets:

- the *Regulated Market*, where financial instruments such as shares and rights (issued by international and Romanian entities), debt instruments (corporate, municipality and government bonds issued by Romanian entities and international corporate bonds), UCITs (shares and fund units), structured products and tradable UCITS (ETFs) are traded;

- an *Alternative Trading System (ATS)*, where foreign stocks listed on other markets and securities issued by Romanian companies which do not qualify for the Regulated Market are traded; and

- the *RASDAQ Market*, where shares and rights issued by Romanian entities are traded, most of them coming from the mass privatisation programme. As at 31 January 2015 there were 911 companies listed on RASDAQ Market, with a market capitalisation of RON 7.5 billion. No bonds or fund units are traded on the RASDAQ Market.

In 2014, the Romanian Parliament adopted Law 151/2014, which provides that the activity of RASDAQ Market will terminate by operation of law after twelve months as of the entry into force of Law 151/2014 (i.e. 27 October 2014). Issuers listed on RASDAQ Market are obliged to convene and hold a meeting of shareholders within 120 days as of the entry into force of Law 151/2014, in order to choose whether to be admitted to trading on the Regulated Market or on the Alternative Trading System or to be delisted. In certain situations (including where the shareholders' meeting resolves that the relevant issuer should not take the legal actions required for the admission to trading on a Regulated Market or on an Alternative Trading System), shareholders have the right to withdraw from the relevant issuer and receive a fair compensation (assessed by an independent valuer) from the issuer.

According to a press release dated 26 March 2015 the FSA has notified 880 companies listed on the RASDAQ Market regarding the entry into force of Law 151/2014. The FSA received a response from 686 companies regarding the convening of and the decisions of the corresponding shareholders' meetings on the option to file for admission on either the Regulated Market or the Alternative Trading System or to be delisted (305 of the companies decided to delist, 332 decided to proceed with the listing either on the Regulated Market or on an Alternative Trading System operated by either the Bucharest Stock Exchange or SIBEX (the Sibiu Stock Exchange)). In case of 49 companies, the legal requirements for a decision of the shareholders' meeting have not been met or the relevant companies have not issued any report regarding such shareholders' meeting being held). In addition, the FSA has noted that, for approximately 200 companies, the shareholders' meetings requested to decide on the delisting or listing on the Regulated Market or on an Alternative Trading System have not been convened.

Bucharest Stock Exchange's evolution

The Regulated Market operated by the Bucharest Stock Exchange followed the general ascending trend of the large stock exchange markets and of the regional markets, influenced by the measures of the central banks responsible for the monetary policies, as well as by the growth level of the Romanian economy.

Main market indicators of stock exchanges in Central and Eastern Europe (2013 and 2014)

STOCK EXCHANGE	**Market capitalisation 2014 (million EUR)**	**Market capitalisation 2013 (million EUR)**	**Market capitalisation Domestic companies (var. % yoy)**
Warsaw Stock Exchange	148,678.04	147,863.67	-4.05%
CEESEG Prague Stock Exchange	21,990.78	22,722.15	2.90%
CEESEG Budapest Stock Exchange	14,355.45	14,299.05	-16.43%
Bucharest Stock Exchange	17,833.82	15,971.71	3.30%
Bulgarian Stock Exchange	5,092.86	3,879.20	-7.96%
CEESEG Ljubljana Stock Exchange	5,173.10	5,123.13	17.91%
Bratislava Stock Exchange	4,075.22	4,276.86	19.02%

Source: Bloomberg

In 2014, the BET-XT index (which reflects the performance of the top 25 most liquid stock listed on the Tier I of the Bucharest Stock Exchange) outperformed similar indices in Central and Eastern Europe as defined by the Organisation for Economic Co-operation and Development in both local currency and EUR terms, with an increase of 6.32% in RON and 6.28% in EUR (according to the Fund's calculation based on publicly available information).

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

Source: Bloomberg

Breakdown of equity holdings by economic sector

The Fund's equity portfolio remained heavily weighted in the power, oil and gas sectors (approximately 88.6% of the NAV as at 31 December 2014), through a number of listed and unlisted Romanian companies.

As at 31 December 2014, 2013 and 2012, the Fund's portfolio by industry sector breakdown was as follows:

	As at 31 December		
Industry sector	2014	2013	2012
		(*% of NAV*)	
Oil & gas*	43.70	47.63	41.88
Electricity & gas**	26.06	22.36	21.33
Electricity production	18.88	19.10	23.56
Infrastructure	3.85	2.70	2.56
Banking	2.76	3.05	2.92
Other sectors	2.76	2.53	2.81
Net cash and receivables***	1.99	2.63	4.94

* *production, storage, processing/refining*

** *transport, distribution, supply*

*** *bank deposits, current bank accounts, short-term treasury bills and 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*

Oil and gas

Oil sector

Crude oil is the most important fuel for Romania, followed by gas and coal. In 2013, Romania's oil consumption stood at 78.56 million barrels of oil equivalent, down by 0.5% compared to 2012 (*Source*: www.eia.gov).

The sole domestic crude oil producer is OMV Petrom.

Brent oil prices have fallen in 2014 from a high of USD 115.06 per barrel on 19 June 2014 to a low of USD 46.59 per barrel on 13 January 2015. Since then, oil prices recovered by more than 32.68% to USD 61.82 per barrel, as at 22 April 2015. The changes in oil prices impacts only OMV Petrom, and, depending on the direction of the oil prices, it will limit or enhance its revenue stream and profitability.

The Government has decided to postpone any changes to the current royalties until January 2016.

The refining sector in Romania comprises three operational refineries: Petrobrazi (owned by OMV Petrom), Petromidia (owned by Rompetrol) and Petrotel (owned by LukOil) (*Source:* OMV Petrom – Investor Presentation – November 2014).

The retail market for oil products has grown steadily since the collapse of the communist regime. The main drivers of this evolution have been changing lifestyles (mainly translated as a higher number of cars) and increased purchasing power of the two main target segments: individuals and corporate fleets. In terms of ownership, based on the limited data available, it can be concluded that Romania started from a very low base versus other countries in the region, and despite the accelerated pace of development, the number of cars per thousand inhabitants still lags behind, reinforcing the potential for growth.

The Romanian retail market is made up of: OMV Petrom (holding approximately 34% of the market by volume) (*Source:* OMV Petrom –Annual Report 2013); Rompetrol covering 28.5% of the market; Lukoil, which captures 14% of the market by volume, and MOL, which has reached a 12.2% market share. (*Source:* Roland Berger Strategy Consultants)

The wholesale market is also dominated by the two best-positioned players: OMV Petrom and Rompetrol. The wholesale activity's customers are own stations and large industrial consumers, in both the domestic and the export markets, the latter of which has been gaining ground in the last years.

The companies active in the Romanian oil sector and in which the Fund has an exposure are presented in the table below:

	As at 31 December		
Company name	**2014**	**2013**	**2012**
	(% share capital held by the Fund)		
OMV Petrom SA	18.99	18.99	20.10
Oil Terminal SA	6.31	8.45	8.45
Petrotel-Lukoil SA	1.18	1.78	1.78
Conpet SA	6.05	29.70	29.70

In May 2013, the Fund sold 1.1% in OMV Petrom and in 2014 the vast majority of its Conpet shares (23.6%) were divested. In March 2014, the Fund announced that it was reviewing strategic options to reduce its stake in Petrom to below 15%. Similar to its sale in 2013, the Fund's motivation for this sale is to increase Petrom's free float with a view to increasing the value of the Fund's remaining stake (see "*Main companies in the Fund's portfolio—OMV Petrom*").

Gas production and storage

Among countries in Central and Eastern Europe, Romania ranks second in terms of natural gas consumption. Natural gas consumption accounts for approximately a third of the energy sources in Romania (*Source*: National Prognosis Commission) and stood at 12.5 billion m^3 in 2013, which was an 8% decrease compared to 2012, when consumption was 13.6 billion m^3, down 4% against national consumption in 2011, according to ANRE.

In order to perform natural gas production activities, a legal entity must enter into an agreement with the National Agency for Mineral Resources (the "**ANRM**"), under which that entity is allowed to undertake operations in the gas sector (such as exploration, development, exploitation of a petroleum geological reserve, underground storage, transport and transit of gas and operation of gas terminals) and receives concession rights over the necessary equipment. The initial maximum term of a concession is 30 years and can be extended upon request of the concessionaire to ANRM for an additional period of up to 15 years.

The entity exploiting a natural gas reserve must pay a royalty to the State budget, representing a percentage of the value of the gross extracted production. The royalty currently ranges between 3.5% and 13% (depending on the gross production).

The concession of underground natural gas storage facilities is also granted through an agreement entered into with ANRM. A royalty must be paid to the State budget by the company operating underground storage facilities, amounting to 3% of the gross revenues from the operations of underground storage of natural gas.

The Romanian gas market currently comprises:

- five producers: Romgaz, OMV Petrom, Amromco Ploiesti, Raffles Energy and Foraj Sonde Craiova; and

- two operators of underground storage facilities: Romgaz and Depomures.

In 2013, Romgaz had a market share of 51.6% of the natural gas production, while OMV Petrom had a market share of 46.3% (*Source*: ANRE, Romgaz, OMV Petrom).

In terms of underground storage, Romgaz owns six facilities with a working capacity of 2.76 billion cubic metres and has an approximate market share of 90% (*Source*: Romgaz).

The table below shows the natural gas producers in the Fund's portfolio:

	As at 31 December		
Company name	**2014**	**2013**	**2012**
	(% share capital held by the Fund)		
Romgaz SA	10.00	14.99	14.99
OMV Petrom SA	18.99	18.99	20.10

The Fund's shareholding in Romgaz was reduced by a third in June 2014 as part of the Fund's action to fund ongoing returns of capital to its shareholders. See "*Main companies in the Fund's portfolio—Romgaz*".

Electricity production

Romanian electricity generation capacity is comprised of hydroelectric, thermoelectric, nuclear, wind, solar and biomass generators within the Romanian National Power System. Total gross installed capacity in the National Power System as at 15 January 2015 was 22,968.859 MW (*Source:* Transelectrica*).*

The electricity producers in which the Fund had stakes were the following:

	As at 31 December		
Company name	**2014**	**2013**	**2012**
	(% share capital held by the Fund)		
Hidroelectrica SA	19.94	19.94	19.94
Nuclearelectrica SA	9.72	9.72	9.72
Complexul Energetic Oltenia SA	21.56	21.53	21.53

See "*Main companies in the Fund's portfolio—Hidroelectrica*".

Internal consumption of electricity in Romania in 2013, according to ANRE, was 49.69 TWh, having decreased by 5.1% compared to 2012 and by an approximate of 7.6% compared to 2011. This decrease was a result of a number of factors, including the decrease in consumption by large energy intensive industrial consumers such as steel, chemical and petrochemical plants and efficiency measures adopted by some industrial consumers. The bulk of electricity consumption in Romania is by non-household consumers, which accounted for 74% of the total consumption in 2013 and 2012 and 75% in 2011 *(Source:* ANRE*)*. In 2013, Romania's exports amounted to 2.47 TWh and in 2012 to 1.15 TWh (*Source:* ANRE).

According to the proposed timetable for gradual elimination of the regulated electricity prices, household consumers will acquire electricity exclusively on the competitive market by 31 December 2017, while for non-household consumers regulated tariffs have been eliminated as of 1 January 2014.

The changes resulting from the elimination of the regulated electricity prices will impact Hidroelectrica and Nuclearelectrica, the only electricity generators that currently sell electricity on the regulated market at prices which are below the market prices. Therefore, the volumes of electricity which will be sold on the free market as a direct result of the electricity liberalisation should have a positive impact on the revenues and profitability of the two companies.

Electricity and gas supply, distribution and transportation

<u>*Electricity supply*</u>

As at 31 December 2013 there were approximately 9 million consumers on the Romanian regulated electricity market, of which the majority were households and approximately 20,000 eligible consumers on the competitive market. The total electricity supplied in Romania in 2013 amounted to a total consumption of 43.771 TWh out of which 18.966 TWh on the regulated market, representing 43% of the total consumption, and 24.805 TWh on the competitive market, representing 57% of the total consumption. Household consumers represented 27 % of the total internal consumption (on the regulated market), whereas the non-household consumers represented 74% of the total consumption (17% on the regulated market and 57% on the competitive market). (*Source:* ANRE)

The electricity supply market in Romania has gradually liberalised since 2000, with further liberalisation initiatives having commenced on 1 January 2007 as a result of the implementation of European Directives 2003/54/EC and 2009/72/EC of the European Parliament and of the Council (the "**Second Energy Package**"). The liberalisation of the electricity supply market has been implemented gradually in order to protect household consumers from sudden price increases. Full liberalisation for household consumers and small and medium size enterprises is scheduled to be completed by 1 January 2018, when regulated tariffs for household consumers and small and medium size enterprises which have not exercised their right to change their electricity supplier will be eliminated. For non-household consumers regulated tariffs have been eliminated as of 1 January 2014. In general, these price deregulation measures resulted in additional revenues for the electricity producers in the Fund's portfolio.

The Romanian electricity market is split into the regulated market and the competitive market. On both markets, electricity can be traded either on a retail or wholesale basis.

The *regulated market* refers to the supply of electricity to household and non-household. The prices and quantities of the electricity traded on the regulated market are approved by ANRE. The supply of electricity on the regulated market can be traded/sold only based on regulated agreements, which are approved by ANRE.

Prices on the *competitive market* can be negotiated freely by the parties. Parties may trade electricity based on bilateral agreements concluded on the dedicated centralised market. Currently the conclusion of electricity sale and purchase agreements off the centralised market is not allowed, except for holders of power plants with an installed capacity of up to 1 MW/producer or 2 MW/producer for co-generation plants, which are allowed to conclude directly negotiated bilateral safe purchase agreements with suppliers of end consumers.

The *wholesale market* includes several independent markets operated by OPCOM (the electricity market administrator) and Transelectrica (the transportation and system operator). Producers, auto-producers, suppliers, distributors, customers and the transport and system operator are the players admitted to trading on the wholesale electricity market. In addition to electricity, technological system services, system services, transportation services and distribution services are also traded on this market. OPCOM operates (i) the Centralised Market of Bilateral Contracts Awarded through Public Auction, (ii) the Centralised Market of Bilateral Contracts with Continuous Negotiation, (iii) the Centralised Market of Bilateral Contracts with Double Continuous Negotiation, (iv) the Centralised Market of Bilateral Contracts for Fuel Processing, (v) the Market for Large Customers (vi) the Day Ahead Market and (vii) the Intra-day Market. Participation to these markets is optional. Transelectrica operates (a) the Balancing Market, (b) the Technological Services Market and (c) the Market for Allocation of International Interconnection Capacities.

The electricity supply companies in which the Fund had stakes were the following:

	As at 31 December		
Company name	**2014**	**2013**	**2012**
	(% share capital held by the Fund)		
Enel Energie SA	12.00	12.00	12.00
Enel Energie Muntenia SA	12.00	12.00	12.00
Electrica Furnizare SA	22.00	22.00	22.00
E.ON Energie Romania SA	13.39	13.39	13.39

In 2014 Enel S.p.A announced that it was seeking to sell its participations to Enel Energie Muntenia and Enel Energie as part of a broader debt reduction programme. The Fund has tag along rights in Enel Energie Muntenia and can sell its stakes at the same price as Enel S.p.A. Moreover, the sale by Enel S.p.A may lead to a liquidity event for the Fund. However, according to a press release on 25 February 2015, the board of directors of Enel S.p.A has agreed to suspend the disposal of distribution and retail assets in Romania.

Electricity distribution

Electricity distribution is the transition of electricity through distribution networks from the transmission network to end-consumers. Tariffs for electricity distribution are set by ANRE.

Although as at 27 January 2015, 50 entities in Romania held a licence to engage in electricity distribution (*Source:* ANRE), electricity distribution in Romania is currently controlled by eight licensed electricity distribution companies, each responsible for the exclusive distribution of electricity within its region on the basis of a concession agreement with the Romanian State. Of the distribution companies, three are majority owned by Enel (covering the regions of Muntenia South, Banat and Dobrogea), one by E.ON (Moldova) and three by the Romanian State through Electrica (Transilvania Sud, Transilvania Nord and Muntenia Nord).

ANRE modified the tariff setting methodology for electricity distributors in 2015, with the most significant change giving the power to the regulator to revise the regulatory rate of return ("**RRR**") for distribution companies from the second year of the ongoing five year regulatory period (2014 - 2018). Subsequently, ANRE effectively reduced the level of the RRR (before tax and expressed in real terms) to 7.70% from the previous 8.52% level.

The Fund holds stakes in seven out of the eight controlling electricity distribution companies:

	As at 31 December		
Company name	**2014**	**2013**	**2012**
	(% share capital held by the Fund)		
Enel Distributie Dobrogea SA	24.09	24.09	24.09
Enel Distributie Muntenia SA	12.00	12.00	12.00
Enel Distributie Banat SA	24.12	24.12	24.12
E.ON Distributie Romania SA*	18.34	-	-
E.ON Moldova Distributie SA*	-	22.00	22.00
Electrica Distributie Transilvania Sud SA	21.99	21.99	21.99
Electrica Distributie Transilvania Nord SA	22.00	22.00	22.00
Electrica Distributie Muntenia Nord SA	21.99	21.99	21.99

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

Similarly to the situation of the electricity supply companies (Enel Energie Muntenia and Enel Energie), the board of directors of Enel S.p.A has agreed to suspend the contemplated disposal of its participations in Enel Distributie Dobrogea, Enel Distributie Muntenia and Enel Distributie Banat.

In 2014, the Fund entered into negotiations with Societatea de Distributie si Furnizare a Energiei Electrice – Electrica SA regarding the sale of the Fund's stakes in Electrica Distributie Muntenia Nord S.A., Electrica Distributie Transilvania Sud S.A., Electrica Distributie Transilvania Nord S.A. and Electrica Furnizare S.A. However, the negotiations have failed and as a result the Fund has withdrawn its offer made to Societatea de Distributie si Furnizare a Energiei Electrice – Electrica SA in April 2015.

Electricity transmission

Electricity transmission is defined as the transportation of electricity by means of transmission lines with voltage higher than 110kV from generators to distribution networks, or in rare cases to end-consumers directly connected to the transmission network.

In Romania, electricity transmission is operated by Transelectrica in accordance with ANRE regulations.

The Fund held 13.49% of Transelectrica's share capital until July 2014, when it divested its entire shareholding in Transelectrica.

Gas supply, distribution and transportation

The supply of natural gas represents the commercial activity of selling the natural gas to clients. A supply licence is required in order to perform natural gas supply activities.

The internal gas market in Romania is split into two markets: the competitive market and the regulated market. Natural gas can be sold on either a wholesale or retail basis. The competitive segment includes natural gas trade between suppliers and between suppliers and eligible customers, prices in this segment being set freely, based on supply and demand, as a result of competing mechanisms. The regulated market segment comprises natural monopoly activities carried out based on framework contracts (underground storage, transmission, and distribution) and provision at regulated price; in this segment, prices and tariffs are set by the regulatory authority, based on its own methodologies developed for this purpose. As a result, the current natural gas wholesale market is highly influenced by the import/domestic production ratio determined by Transgaz (the national natural gas transporter) and domestic production to meet demand.

The Romanian gas market currently comprises 40 distribution and gas supply companies operating in both the competitive and the regulated segments.

Gas prices have increased starting 1 February 2013, pursuant to the schedule for gradual elimination of regulated gas prices. Gas prices for non-household consumers have reached 89.4 RON/MWh following the last increase in April 2014 while gas prices for household consumers have reached 53.3 RON/MWh after the last increase implemented in July 2014. The regulated prices for supply to non-household consumers have only applied until 31 December 2014. As of 1 January 2015, prices are determined freely, based on direct negotiation or acceptances of supplier's standard offer. However, during 1 January 2015 and 30 June 2015, ANRE established a special procedure for non-household consumers that have not yet concluded a negotiated contract with their supplier. As part of this procedure, ANRE will send such non-household consumers a monthly notice, informing them that they need to exercise their right of option, together with a price offer. The supplier shall continue to provide natural gas for the price set out in the offer sent to the consumer along with the notice.

The Romanian Government decided to postpone the further liberalisation of gas prices for household consumers until at least June 2015. Gas prices for household consumers have been frozen at RON 53.3/MWh until 30 June 2015. ANRE will have to publish a new calendar for the gas price liberalization for household consumers starting 1 July 2015 until 1 July 2021.

These changes in policies regarding the liberalisation of gas prices impact the gas producers in the Fund's portfolio (Romgaz and OMV Petrom) by limiting the potential increase in their revenues and the profitability which the continuation of the liberalisation would have brought them.

Following the start of the liberalisation of natural gas prices, the Romanian Government imposed special taxes on additional income obtained as a result of the deregulation of prices in the natural gas sector. According to Government Ordinance No. 7/2013, companies acting as both natural gas producers and suppliers must pay this special tax of 60% of the additional income minus corresponding royalties and investments in the upstream segment; the amount of deducted investments in the upstream segment cannot exceed 30% of the additional income. The special tax will continue to apply until 31 December 2015.

The Fund holds shares in the following gas supply companies:

	As at 31 December		
Company name	**2014**	**2013**	**2012**
	(% share capital held by the Fund)		
GDF Suez Energy Romania SA	12.00	12.00	12.00
E.ON Energie Romania SA	13.39	13.39	13.39

Natural gas distribution (which is defined as the activity of circulating through a distribution system the natural gas to be delivered to customers) is considered a public service of general interest. Distribution does not include supply.

Natural gas distributors that have more than 100,000 clients must pay a special tax provided for by Government Ordinance no. 5/2013, amounting to RON 0.75/1 MWh.

Out of the gas distribution companies, the Fund held shares in E.ON Distributie Romania SA, as follows:

Company name	As at 31 December 2014	2013	2012
	(% share capital held by the Fund)		
E.ON Distributie Romania SA*	18.34	12.00	11.99

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

GDF Suez Energy Romania SA owns 100% of shares in Distrigaz Sud Retele, which is the gas distribution company covering the southern part of Romania.

The Fund also held 14.98% in the share capital of Transgaz (the national gas transportation system operator) until December 2013, when it divested its entire shareholding in Transgaz.

Main companies in the Fund's portfolio

OMV Petrom

Overview

OMV Petrom is a Romanian joint stock company, listed on the Bucharest Stock Exchange, registered with the Bucharest Trade Registry Office under number J40/8302/1997 and having sole registration code RO 1590082. OMV Petrom has its corporate seat in Bucharest, Romania and its business address at 22 Coralilor Street, 1st District, Bucharest 013329, Romania. OMV Petrom has an issued and fully paid up share capital of 5,664,410,833.50 RON divided into 56,644,108,335 shares. Starting with September 2001, its shares are listed on the Bucharest Stock Exchange.

As at 31 December 2014, the Fund owned 18.99% of the share capital of OMV Petrom, representing 33.16% of NAV and 32.76% of the gross assets of the Fund (according to the audited financial statements of the Fund for the year ended 31 December 2014). OMV AG holds a 51.01% share in OMV Petrom, the Romanian State, via the Ministry of Economy, holds 20.64% and 9.36% is free float on the Bucharest Stock Exchange. In May 2013 the Fund sold 1.1% in OMV Petrom and in March 2014 announced that is was considering reducing its stake below 15%. In 2014, the Fund received from OMV Petrom dividends amounting to RON 331.4 million.

The following table shows the position of OMV Petrom equity and liabilities as at 31 December 2014 and 2013:

Equity and Liabilities	31 December 2014	2013
	unaudited *(RON million)*	
Capital stock	5,664.41	5,664.41
Reserves	21,377.16	21,006.10
Stockholders' equity	**27,041.57**	**26,670.51**
Non-controlling interests	(36.29)	(28.83)
Equity	**27,005.28**	**26,641.68**

Source: OMV Petrom Group unaudited consolidated results prepared according to IFRS for the fourth quarter of 2014 and January-December 2014.

The group consisting of OMV Petrom and its subsidiaries (the "**OMV Petrom Group**") is the largest oil and gas group in Southeastern Europe, with activities in the business segments of exploration and production, gas and power as well as refining and marketing. The OMV Petrom Group consolidated its position in the oil and gas market following a comprehensive modernisation and efficiency increase process backed by investments accounting for more than EUR 10 billion over the past nine years. (*Source*: www.petrom.com).

According to OMV Petrom Group unaudited consolidated results prepared according to IFRS for the fourth quarter of 2014 and January-December 2014, profits from ordinary activities decreased to RON 2,909 million in 2014 (from RON 5,699 million in 2013).

Exploration and production (E&P)

According to the information on its website, in E&P sector, OMV Petrom is the largest hydrocarbon producer in Southeastern Europe. In 2013, OMV Petrom Group total hydrocarbon production was 66.64 million boe (thereof 62.54 million boe in Romania), slightly lower compared to 2012 due to increased production in Romania and lower production in Kazakhstan. The proved oil and gas reserves in OMV Petrom Group's portfolio at the end of 2013 amounted to approximately 728 million boe and hydrocarbon production averaged 182.6 kboe/d throughout the year. OMV Petrom is the main oil producer in Romania and supplies around half of the internal gas production.

As part of OMV Petrom's exploration focus, both shallow and deep water exploration continued in the Black Sea, with extensive 3D seismic campaigns finalised mid-year. The 3D seismic coverage of exploration acreage in Romania reached 73% (weighted average for onshore and offshore). In addition, OMV Petrom signed a farm-out agreement with Repsol for the exploration of some onshore blocks.

According to OMV Petrom Group unaudited consolidated results prepared according to IFRS for the fourth quarter of 2014 and January-December 2014, the OMV Petrom Group's production of oil, gas and natural gas liquids in 2014 totalled 65.82 million boe, 1% lower than the 2013 level as a result of decreased production in Kazakhstan. In Romania, total oil, gas and natural gas liquids production increased to 62.57 million boe, slightly higher compared to the previous year. Domestic crude oil production was 27.98 million bbl, 2% lower than 2013 due to planned work overs and weather conditions. Domestic gas production reached 34.58 million boe, 2% higher compared to 2013. Oil and gas production in Kazakhstan decreased by 21% to 3.25 million boe, as an effect of technical constraints. Group sales volumes were slightly lower compared to the 2013, supported by the higher gas sales in Romania.

As of 31 December 2014 the total proved oil and gas reserves in OMV Petrom Group's portfolio amounted to 690 million boe (of which Romania had 671 million boe), while the proved and probable oil and gas reserves amounted to 977 million boe (of which Romania had 930 million boe). The OMV Petrom Group's three-year average reserve replacement rate decreased to 39% in 2014 (2013: 48%), in Romania it also decreased to 39% (2013: 48%). For the single year 2014, the OMV Petrom Group's rate was 42% (2013: 31%), while the reserve replacement rate in Romania was 42% (2013: 32%), mainly as a result of exploration and appraisal wells, reservoir studies performed and better performance of new drilled wells.

Refining and marketing

<u>*Refining*</u>

OMV Petrom operates one refinery in the most strategic industrial area, located in the South-Central region of Romania. The rated capacity of the Petrobrazi refinery is 4.5 million tons/year. The refinery underwent a EUR 600 million modernisation program between 2010 – 2014, allowing it to process 100% of OMV Petrom's Romanian crude production, while improving energy efficiency and product yields. (*Source*: www.petrom.com)

<u>*Marketing*</u>

OMV Petrom has an extensive national network of filling stations and customised sales channels and delivers high quality products to both retail and wholesale customers.

OMV Petrom is present in the distribution market for oil products in Romania, the Republic of Moldova, Bulgaria and Serbia through a network of approximately 800 filling stations, operated under two brands, Petrom and OMV. OMV Petrom is the leader of the Romanian retail market, with a network of about 500 filling stations. On a market which faces increasing competition from players such as Rompetrol, Lukoil, MOL and Agip, OMV Petrom retains a strong competitive edge in terms of offering the best value for money products within the best located filling stations. (*Source*: www.petrom.com)

On the wholesale market, OMV Petrom is a major business partner for companies and institutions acting in economy sectors such as Transportation, Industry, Construction and Mining, Agriculture or Public and

Civil Authorities. Through its network of regional storage facilities or directly from the two refineries, OMV Petrom delivers petroleum products to more than 5,500 business customers.

According to OMV Petrom Group unaudited consolidated results prepared according to IFRS for the fourth quarter of 2014 and January-December 2014, the indicator refining margin increased to USD 1.89/bbl, from USD (2.83)/bbl in 2013, reflecting the updated standard yield following the completion of the Petrobrazi refinery modernization program and lower cost for crude. In 2014, the refinery utilization rate stood at 89% reflecting the one month planned refinery shut down in the second quarter of 2014. Total marketing sales volumes decreased by 7% compared to 2013, affected by the increased taxation in Romania and higher competition in the operating region. In retail, OMV Petrom Group sales volumes dropped by 4%, while commercial sales volumes fell by 11%, the negative trend being reflected in all products except gasoline and jet.

Gas and Power

OMV Petrom Group has been for many years a major player on the Romanian gas market, covering significant segments. In addition to consolidating this position, OMV Petrom aims to improve utilisation of natural gas, by using it to generate electricity. Both the new utilisation of natural gas, as well as the employment of other renewable sources to generate electricity, decisively contribute to creating operational synergies and defining a low carbon product portfolio.

OMV Petrom supplies gas through the natural gas division. For its sustainable development, OMV Petrom has expanded the gas value chain into power. OMV Petrom started commercial operations of the 860 MW gas fired power plant at Brazi and at the Dorobantu 45 MW wind park.

According to OMV Petrom Group unaudited consolidated results prepared according to IFRS for the fourth quarter of 2014 and January-December 2014, in 2014, the total net electrical output of the Brazi power plant was 1.22 TWh (2013: 2.74 TWh), covering approximately 2% of Romania’s electricity production over the full year and approximately 6% of the balancing market (2013: approximately 5% of Romania’s electricity production and approximately 9% of the balancing market). The Dorobanţu wind park generated a net electrical output of 0.08 TWh versus 0.10 TWh in 2013. For the electricity produced and delivered to suppliers, OMV Petrom Wind Power S.R.L. received approximately 133,000 green certificates, half of which are expected to become eligible for sale after 1 January 2018 (2013: approximately 178,000 green certificates, thereof approximately 32,000 eligible for sale after 1 January 2018).

Romgaz

Overview

As at 31 December 2014, the Fund owned 10.00% of the share capital of Romgaz, representing 10.3% of NAV after having sold 4.98% in Romgaz in June 2014 through an accelerated book building. In 2014, the Fund received from Romgaz dividends amounting to RON 148.5 million.

The following table shows the position of Romgaz equity and liabilities as at 31 December 2014 and 2013:

	31 December	
	2014	**2013**
	Preliminary	*Actual*
Equity and Liabilities	*unaudited*	
Capital and reserves	*(RON million)*	
Share capital	385,422	1,892,681
Reserves	2,142,348	1,949,600
Retained earnings	7,208,814	5,450,493
Total Equity	**9,736,584**	**9,292,774**

Source: Preliminary annual report (prepared based on IFRS unaudited financial statements) on the economic and financial activity of Romgaz during 2014.

Romgaz is a joint stock company, registered with the Romanian Trade Registry Office attached to the Sibiu Court under number J32/392/2001, having sole registration code RO14056826. Romgaz's corporate seat is in Medias, Romania and its business address is 4 Piata Constantin Motas, Medias, Sibiu County 551130, Romania. Romgaz has an issued and fully paid up share capital of 385,422,400 RON divided into 385,422,400 shares. In November 2013, Romgaz listed its shares on the Bucharest Stock Exchange and GDRs representing its shares on the main market for listed securities of the London Stock Exchange.

Romgaz is the largest natural gas producer, supplier and underground gas storage operator in Romania, and its core business segments are: gas exploration and production, gas supply, underground gas storage and electricity production.

Romgaz undertakes geologic research in order to discover new gas reserves, produces methane by exploiting the reservoirs included in the company portfolio, stores natural gas in the underground deposits, performs interventions, work over and special operations on wells and technological transport. Starting with 2013, Romgaz extended its scope of work by taking over the Iernut thermoelectric power station from Electrocentrale Bucuresti, and thus it is now also an electric power supplier. (*Source*: Romgaz's website www.romgaz.ro).

According to Romgaz preliminary annual report for 2014 based on IFRS unaudited financial statements, the preliminary net profit at 31 December 2014 amounted to RON 1.4 billion representing an increase by 44.09% against the same period of 2013.

Reserves increased by RON 192.7 million, representing the allocation of 2013 profit to the development fund of Romgaz (RON 162 million) and recording of reserve from the reinvested profit (RON 30.7 million), according to Law No. 571/2003 on the Fiscal Code as subsequently amended and supplemented (the "**Fiscal Code**").

Gas exploration

Romgaz performs oil and natural gas exploration operations for natural gas in Romania, Slovakia and Poland.

According to the offering prospectus dated 18 October 2013, in Romania, as of October 2013, the company held petroleum agreements for nine on-shore exploration blocks in Romania with a total area of approximately 17,797 km²: RG.01 North Transylvania, RG.02 Center Transylvania, RG.03 South Transylvania, RG.04 North Moldova, RG.05 South Moldova, RG.06 North East Muntenia, RG.07 Center Muntenia, RG.08 Oltenia and EVIII 8 East Panonic Basin. Also, in the region of Moldova, Romgaz had shared interests in two further blocks – Brodina and Bacau.

Romgaz has entered into several partnerships and other joint operating agreements for exploration and development of certain concessioned perimeters, both abroad and in Romania. As of October 2013, Romgaz had a series of collaborative agreements with ExxonMobil, OMV Petrom, Lukoil, Vanco, Amromco and Schlumberger together with other joint venture agreements to explore, develop or rehabilitate various blocks or facilities in Romania and in offshore areas.

In October 2013, Romgaz held a 25% partnership share in the licence for the exploration, development and exploitation of three blocks in Slovakia – Svidnik, Medzilaborce and Snina, and similar interests held in the corresponding joint operating agreements concluded between partners, corresponding to the three blocks. In Poland, Romgaz held a 30% interest in a partnership agreement with respect to two exploration blocks: Torzym and Cybinka.

According to Romgaz preliminary annual report for 2014 based on IFRS unaudited financial statements, prospective resources (P50) of about 2 billion cm have been identified and contingent resources (2C) of about 5 billion cm have been confirmed.

Gas production

According to the information on its website (www.romgaz.ro), Romgaz, through its two production branches, Medias and Targu Mures, operates more than 150 commercial reservoirs in Romania located in Transylvania, Moldova and Muntenia. The majority of these reservoirs, especially the large ones, are mature, with a production period of more than 25-30 years.

As detailed in the offering prospectus dated 18 October 2013, in October 2013, in Romania, Romgaz operated 3,280 gas producing wells which accessed 147 commercial fields, as well as 29 exploration wells in nine on shore exploration blocks. As at 30 June 2013, Romgaz held net proved reserves of 62.1 billion m³ (2,192.2 million ft3) of gas and net probable reserves of 13.2 billion m³ (464.6 million ft3) of gas.

Underground gas storage

Romgaz is also the largest underground gas storage operator in Romania. As of October 2013, Romgaz owned and operated six underground storage deposits with total working volume of 2.76 billion m³ and, according to ANRE, it had a market share for underground gas storage in Romania of 90% in 2012. In October 2013, the company was also a shareholder in two other underground gas storage operators: Depomures S.A. (in which Romgaz held a 40% stake) and Amgaz S.A. (in which Romgaz held a 35% stake and which operated the Nades Prod Seleus underground storage deposit, with a storage capacity of 75 million m³/cycle storage). Depomures S.A. operated the Targu Mures underground gas storage deposit, with a storage capacity of 300 million m³/cycle (*Source*: Romgaz's offering prospectus dated 18 October 2013).

According to Romgaz preliminary annual report for 2014 based on IFRS unaudited financial statements, revenues from the underground storage activity increased by 16.69% as compared to 2013, being estimated at RON 425.83 million.

Electricity production

Starting with 2013, Romgaz has expanded its field of activity by taking over a thermoelectric power plant - CET Iernut - which is operated by Iernut Electric Power Production Branch. CTE Iernut is a condensation electric power plant with intermediate superheating having 800 MV installed power. Its capacity to produce electric power accounts for 5% of the domestic/national market share.

CTE Iernut, in Transylvania, is located in an important junction point of the National Power System having the scope of power injection into the transit from power exceeding areas to the deficit area of Northern Transylvania. This injection function is sustained by main transformers. A part of the electric power produced at the generators terminals is taken over by a voltage lowering transformer, and used for in-house power supply.

CTE Iernut is composed of four 100MW power groups and two 200MW installed power groups. Automation and protection systems of the independent power groups have the capacity to ensure the functioning of the National Power System interconnected with the electrical power grid of the neighbouring countries and with the electrical power grid of ENTSO-E. (*Source:* Romgaz's offering prospectus dated 18 October 2013 and Romgaz's website www.romgaz.ro).

According to Romgaz preliminary annual report for 2014 based on IFRS unaudited financial statements, revenues from the electric power sector are estimated at RON 324.6 million (electricity production representing 2.4% of the total electric power production of Romania).

Hidroelectrica

Overview

As at 31 December 2014, the Fund owned 19.94% of share capital of Hidroelectrica, representing 16.45% of NAV. Hidroelectrica did not distribute any dividend in 2014.

Hidroelectrica is a joint stock company, registered with the Bucharest Trade Registry Office under number J40/7426/2000, having sole registration code 13267213. Hidroelectrica's corporate seat is in Bucharest, Romania and its business address is 15-17 Ion Mihalache Blvd., 11-15 floor, 1st District, Bucharest 011171, Romania. Hidroelectrica has an issued and fully paid up share capital of 4,481,482,240 RON divided into 448,148,224 shares.

Hidroelectrica is a power generation leader and the main supplier of ancillary technological services required in the National Power System, being a company of crucial importance for a strategic sector, relevant in terms of national security. With an average output of more than 17 TWh in an average water year, generated in its subsidiaries strategically located throughout the country, Hidroelectrica provides approximately 30% of the country's total generation output, depending on the hydraulicity coefficient of the year.

Upon its own request, triggered by insufficient available funds to pay its outstanding debts, Hidroelectrica was placed under insolvency proceedings in mid 2012. The insolvency proceedings were closed in June 2013 only to be reopened again in February 2014 as the Romanian courts accepted an appeal against the closing of the proceedings in 2013. As at the date of this Prospectus, Hidroelectrica is undergoing a judicial reorganisation process and is administered by Judicial Administrator EURO INSOL SPRL, through Mr Remus Borza, and by Special Administrator Mr Gabriel Dumitrascu.

Prior to re-entering into insolvency, Hidroelectrica was planning an initial public offering under the privatisation strategy approved by Government Decision no. 1066/2013.

In 2013, Hidroelectrica has exceeded the performance indicators foreseen in the budget, despite a year characterised by hydrological shortfalls and a decrease in the delivery prices and in the domestic consumption of electricity. Aiming to rapidly enhance its financial ratios, the company has sold energy in conditions of maximum profitability, has very strictly controlled the generation costs, and investments have been sized according to the strategic priorities and to the financing possibilities. Based on a good financial performance and a preliminary pre-tax profit of RON 1.2 billion, for the year 2014. Hidroelectrica has registered an increased liquidity. (Source: www.hidroelectrica.ro)

According to a press release of Hidroelectrica dated 26 January 2015, the company has registered at the end of 2014 financial year the highest turnover and the highest profit in its history of RON 3.4 billion and RON 1.2 billion, respectively with the lowest production price in the last five years (of RON 108/ MWh). The net profit of Hidroelectrica for 2014 amounted to RON 967 million according to preliminary financial data of the company based on Romanian accounting regulations.

Power generation and supply

Hidroelectrica is the largest energy generator in Romania and the most important ancillary services provider in Romania (approximately 80% of the total volume), ensuring the stability of the National Power System. (*Source*: www.hidroelectrica.ro)

Hidroelectrica carries out the following main activities related to hydropower generation:

- operation of hydropower equipment and hydro-technical constructions;
- maintenance of equipment and constructions;

other related activities, such as passing the ships through the Danube River 2 navigation locks, part of Portile de Fier Hydropower and Navigation System.

FUND MANAGER

Franklin Templeton Investments Group

The Fund's portfolio is managed by Franklin Templeton Investment Management Limited United Kingdom, a subsidiary of Franklin Templeton Investments.

Franklin Resources, Inc. is a holding company that, together with its various subsidiaries, operates as Franklin Templeton Investments a global investment management organization offering investment choices under the Franklin®, Templeton®, Mutual Series®, Bissett®, Fiduciary Trust™, Darby®, Balanced Equity Management® and K2® brands. Franklin Resources, Inc. is regulated as a bank holding company under the United States Bank Holding Company Act of 1956, as amended, and has elected to be a financial holding company under the United States Gramm-Leach-Bliley Act. The common stock of Franklin Resources, Inc. is traded on the New York Stock Exchange (the "**NYSE**") under the ticker symbol "BEN" and is included in the Standard & Poor's 500 Index.

Franklin Templeton Investments provides global and domestic investment management to retail, institutional and sovereign wealth clients in over 150 countries. Through specialized teams, Franklin Templeton Investments has expertise across all asset classes, including equity, fixed income, alternative and custom solutions. Its more than 600 investment professionals are supported by its integrated, worldwide team of risk management professionals and global trading desk network. With offices in 35 countries, the California based company has more than 65 years of investment experience and $880.1 billion in assets under management as at 31 December 2014.

In addition to investment management, Franklin Templeton Investments provides services such as fund administration, sales, distribution, shareholder services, transfer agency, trustee, custodial and other fiduciary services, as well as select private banking services. Franklin Templeton Investments can also provide sub-advisory services to investment products sponsored by other companies.

Franklin Templeton Investment Management Limited

Overview

Franklin Templeton Investment Management Limited is incorporated in the United Kingdom as a private limited company since 1985. It has its registered office at Cannon Place, 78 Cannon Street, London, EC4N 6HL, United Kingdom, Telephone: +44 20 7073 8500, Fax:+44 20 7073 8700 and it is registered in the United Kingdom, in the Companies House under number 1902009. Franklin Templeton Investment Management Limited is authorized and regulated in the United Kingdom by the Financial Conduct Authority with register number 121779. It is also registered as an investment advisor with the United States' Securities and Exchange Commission. In addition to the Bucharest branch, Franklin Templeton Investment Management Ltd. United Kingdom has opened offices around the world in Frankfurt, Germany (opened in 2007), Dubai, United Emirates (opened in 2004), Madrid, Spain (opened in 1998), Stockholm, Sweden (opened in 1998), Amsterdam, Holland (opened in 1997). More recently, Franklin Templeton Investment Management Limited United Kingdom acquired Rensburg Fund Management (now Franklin Templeton Fund Management Limited) and opened an office in Leeds (United Kingdom). At the date of this Prospectus, Franklin Templeton Investment Management Limited employs over 350 staff in the United Kingdom, providing a wide range of investment products and services to investors.

Franklin Templeton Investment Management Limited offers an extensive range of funds investing in a large number of asset classes and financial markets, as well as companies of different sizes and sectors, aiming to help individuals and institutions meet their investment goals. The Fund Manager has an extensive global experience in managing the operations of closed-end funds similar to the Fund in other developed and emerging markets.

Franklin Templeton through its United Kingdom open-ended investment company, Franklin Templeton Funds, offers to investors from the United Kingdom access to global fixed income funds and a choice of global, regional and country specific equity funds, including six funds investing in specific areas of the United Kingdom stock market, from the smallest to the largest United Kingdom companies.

In addition to the open-ended investment company (Franklin Templeton Funds), Franklin Templeton manages Templeton Emerging Markets Investment Trust Plc. Launched in 1989, this investment trust has grown to be one of the largest investment companies listed on the London Stock Exchange at the date of this Prospectus.

Franklin Templeton manages as well an award-winning Luxembourg-registered open-ended investment company, Franklin Templeton Investment Funds, which provides a choice of more than 70 funds, many with sterling share classes.

For institutional investors, Franklin Templeton Investment Management Limited offers a specially designed share class on a number of funds, as well as segregated accounts and sub-advisory services.

Appointment as Fund Manager

In June 2009, Franklin Templeton Investment Management Limited United Kingdom was selected to act as the investment manager and sole director of the Fund following an international tender procedure organized by the Fund in accordance with Romanian Government Decision 1514/2008 on the organization of the international tender for the appointment of the management company of the Fund. Following the completion of the selection process, the Fund and Franklin Templeton Investment Management Limited United Kingdom concluded, on 25 February 2010, the Investment Management Agreement and Franklin Templeton Investment Management Limited, United Kingdom was appointed as the Fund Manager and the Sole Director of the Fund. On 29 September 2010 the mandate of Franklin Templeton Investment Management Limited, United Kingdom Bucharest Branch as Sole Director became effective and replaced the supervisory body of the Fund that acted as fund manager until the entry into effect of the Investment Management Agreement.

The Fund's EGMS has appointed Franklin Templeton Investment Management Limited United Kingdom as Sole Director and Fund Manager on 6 September 2010 for a 4 years mandate. On 28 April 2014, the Fund's shareholders approved the renewal of the mandate of Franklin Templeton Investment Management Limited as Sole Director and Fund Manager for two years starting with 30 September 2014.

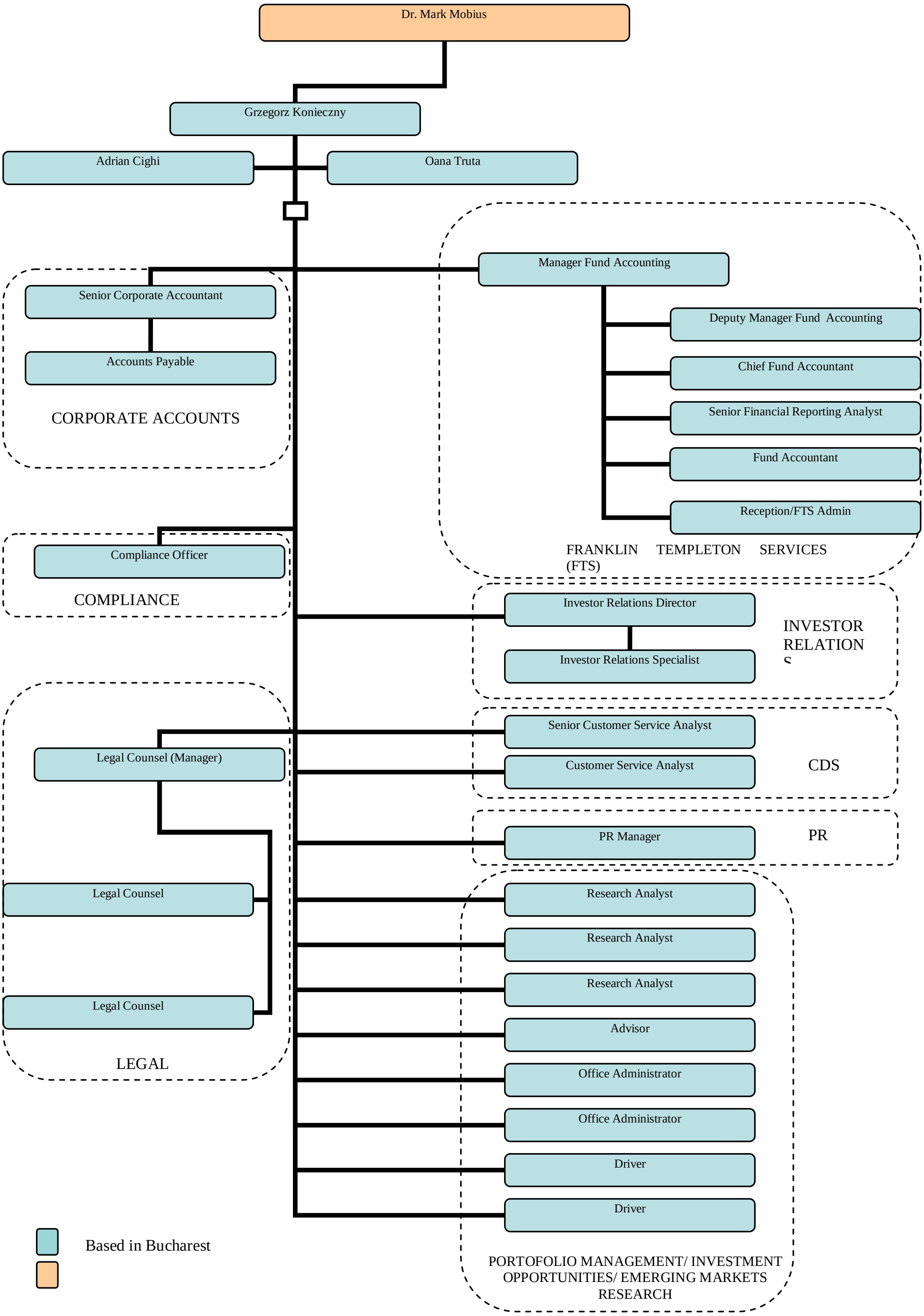
The Bucharest branch of the Fund Manager

Franklin Templeton Investment Management Limited carries out the investment activities of the Fund acting primarily through its Bucharest branch, with headquarters in Bucharest, 78-80 Buzesti street, floors 7-8, district 1, telephone + 40 21 200 96 00, fiscal registration no. 25851096, registration number at Trade Registry J40/8587/2009. The Bucharest branch of Franklin Templeton Investment Management Limited was registered with the Bucharest Trade Registry on 4 September 2009 and authorized by the FSA according to Decision 613 of 11 May 2010. Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch is currently registered with the FSA under register number PJM05SSAM/400001/14.09.2009.

The Fund Manager takes all the investment decisions on behalf of the Fund, in accordance with the Fund's investment policy (see further details on the Fund's investment policy in the Section "*Investment Policy and Objectives*"). Furthermore, the Fund Manager is responsible for calculating the monthly NAV and NAV per share, in accordance with the applicable law. The Fund Manager is not responsible for the performance by the Custodian of its safekeeping duties with respect to the Fund's assets.

The Fund Manager has a local team of highly qualified professionals including investment analysts, the Fund's portfolio manager, Mr. Grzegorz Konieczny, as well as a range of administrative service staff covering accounting, NAV calculation, investor relations, public relations, legal and regulatory compliance matters. Each department is supported by the global resources of the Franklin Templeton Investments Group. In particular, the investment team has the support of more than 40 investment professionals in the Templeton Emerging Markets Group headed by Dr. Mark Mobius.

Organisation chart of Franklin Templeton Investment Management Limited, United Kingdom, Bucharest Branch



AIFM Directive implications

Law no. 74/2015 implementing AIFM Directive in Romania is pending publication in the Official Gazette of Romania. Law no. 74/2015 will enter into force within 30 days as of its publication in the Official Gazette of Romania. At this stage it is still unclear whether the Fund will qualify as an AIF under the Romanian law implementing the AIFM Directive. If it is concluded that the Fund qualifies as an AIF the Fund Manager will be required either to seek authorisation in the United Kingdom and make use of the AIFM Directive passport in order to be able to manage the Fund, or to propose the shareholders of the Fund to appoint another entity from the Franklin Templeton group that is already authorised under the AIFM Directive. The managers of an AIF need to comply with the provisions of the law implementing AIFM Directive within 12 months after the law enters into force. As per the Investment Management Agreement, if the Fund Manager will not be able to comply with new legislative requirements within 12 months after the law implementing the AIFM Directive enters into force, including such as may result from the implementation of the AIFM Directive, the Fund will be ultimately entitled to decide with respect to any amendments to the Investment Management Agreement (subject to FSA endorsement), including the appointment of a new fund manager compliant with the law implementing the AIFM Directive.

The Fund Manager will make public its proposed position on the application of the legislation implementing AIFM Directive once Law no. 74/2015 has entered into force.

LEGAL PROCEEDINGS

In the previous 12 months prior to the date of this Prospectus, the Fund was involved in certain legal proceedings, either as defendant or claimant. The most important legal proceedings which may have significant effect on the Fund or the Fund's financial position or profitability are detailed below:

Some minority shareholders of the Fund (acting individually) have filed legal proceedings against the Fund on various grounds, including some seeking the cancellation of certain resolutions of the General Shareholders Meeting ("**GMS**") and others seeking to block the registration of some resolutions with the Trade Register. These legal proceedings are at various stages of process within the Romanian Court system and updates are frequently reported by the Fund on its website (www.fondulproprietatea.ro) and the website of the Bucharest Stock Exchange (www.bvb.ro).

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 GMS relating to (*inter alia*) approval of a new Articles of Association and the initial appointment of Franklin Templeton Investment Management Limited, United Kingdom, Bucharest Branch as the manager of the Fund.

This decision is irrevocable but it has no impact on the Fund or the Fund Manager because:

(a) the version of the Articles of Association to which the Court decision relates is not the one currently in force, as new changes and versions of the Articles of Association were adopted by the Fund's shareholders with vast majority during the 23 November 2011 GMS, the 4 April 2012 GMS, the 23 November 2012 GMS, the 25 April 2013 GMS, the 22 November 2013 GMS, 3 February 2014 GMS, 28 April 2014 GMS, 23 September 2014 GMS, 19 November 2014 and 21 January 2015;

(b) new resolutions passed during the 25 April 2012 GMS, 23 November 2012 GMS, 25 April 2013 GMS, 22 November 2013 GMS, 3 February 2014 GMS, 28 April 2014 GMS, 23 September 2014 GMS, 19 November 2014 GMS and 21 January 2015 GMS specifically ratified and re-approved the objects of all the resolutions to which this Court decision relates (these GMSs resolutions were approved with a significant majority).

Therefore, the Fund Manager is liable to observe the current Articles of Association and the shareholders' resolutions in force, and consequently will continue to manage the Fund in accordance with these and its management agreement.

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

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

CORPORATE MANAGEMENT SYSTEM

Overview

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

The Fund is managed by the Sole Director, which acts also as investment company of the Fund. The Board of Nominees, appointed by the shareholders, acts as an oversight body; its role includes, *inter alia*, monitoring of the activity of the Fund Manager in its capacity as both Sole Director and investment company and checking the performance of the Investment Management Agreement.

Corporate governance of the Fund

The Fund has a clear and transparent corporate governance framework dating since 2011, compliant with the Bucharest Stock Exchange Code of Corporate Governance. The framework sets out clearly the main aspects of the Fund's corporate governance structure, the respective functions of the Board of Nominees and of the Sole Director, as well as their powers and responsibilities. The Fund regularly develops and updates its corporate governance framework, in order to meet new demands and opportunities.

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

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

The Fund also complies with the rules regarding corporate governance as described in Law 247/2005, the Capital Markets Law, the Companies Law, Regulation 1/2006 of the NSC regarding issuers and operations in securities, as subsequently amended and supplemented, the Fund's Regulation and Regulation 15/2004. The Fund's internal framework on corporate governance is reflected in (i) the Articles of Association, (ii) the Investment Management Agreement, (iii) the Investment Policy Statement and (iv) other internal regulations.

In addition thereto, Franklin Templeton Investment Management Limited, United Kingdom applies global best practices to meet its regulatory and compliance obligations. These include: (i) a code of ethics to which all employees are bound; (ii) a conflicts of interest policy to evidence compliance by the Sole Director of the Fund with the conflicts of interest requirements as set out in MiFID; (iii) a data protection policy to ensure that its business operations comply with the applicable data protection regulations; (iv) an anti-bribery policy to ensure that employees of Franklin Templeton Investment Management Limited United Kingdom comply with the U.S. Foreign Corrupt Practices Act and applicable foreign bribery regulations in local jurisdictions where Franklin Templeton Investment Management Limited United Kingdom operates; (v) a compliance manual, which describes the compliance and regulatory requirements applicable to Franklin Templeton Investment Management Limited United Kingdom's business and the consequences of failure to comply; (vi) regular staff training on compliance and related matters; (vii) reinforcement of corporate values which focus on acting in the client's best interests and with integrity and confidentiality; (viii) reporting rules governing any proposed personal dealing in the Shares by staff doing sensitive work relating to the Fund.

Sole Director

Appointment of the Sole Director

According to the Articles of Association, the Fund is managed by Franklin Templeton Investment Management Limited, United Kingdom, Bucharest Branch, acting as Sole Director of the Fund. The Sole Director is able to make day-to-day decisions in relation to the daily operation of the Fund. See details on the appointment of the Sole Director in Section "*Fund Manager—Franklin Templeton Investment Management Limited—Appointment as Fund Manager*".

The current mandate of the Sole Director is effective until 30 September 2016. The Sole Director will call an OGMS to be held at least 6 months before the end of the term of its mandate, in order to either approve the renewal of the Sole Director's mandate or commence the selection process for a new sole director (in which case the existing Sole Director will negotiate the management agreement to be concluded with the selected candidate). After the selection of a candidate, the Sole Director must immediately call an OGMS with in order to appoint the selected candidate as Sole Director and authorise the execution of the relevant investment management agreement and fulfilment of all relevant formalities for the authorisation and legal completion of such appointment.

Responsibilities of the Sole Director under the Articles of Association

The Sole Director, under the control of shareholders and supervision of the Board of Nominees, carries out all the activities required and necessary for the implementation of the Fund's objects of activity, with the exception of the matters reserved by law to be determined by the Fund's shareholders. In relations with third parties, the Fund is represented by the Sole Director (which is respectively represented by its legal representatives).

The Sole Director has a general duty of diligence and loyalty to the Fund and its shareholders and is required to act in the best interest of the shareholders.

In addition to those duties under applicable law, according to the Articles of Association, the Sole Director has the following duties:

(a) establishing a reference date for shareholders entitled to vote in general meetings under the law, and drafting notices of general meetings, after obtaining the prior approval of the Board of Nominees and including on the agenda for such general meeting any matters requested by the Board of Nominees;

(b) upon the written request of any shareholder submitted before the date of a general meeting, giving responses after obtaining the prior approval of the Board of Nominees, regarding issues concerning the business of the Fund;

(c) ensuring that, if requested by any shareholder, a copy of or extract of the minutes of any general meeting of shareholders is given to the shareholders and also, after the notice of the annual OGMS is published, making available to the shareholders the financial statements of the Fund and the reports of the Sole Director and the Fund's financial auditors;

(d) preparing the annual financial statements and annual activity report and the Fund's performance report and examining the financial auditors' report, and presenting such documents to the Board of Nominees before submitting them to an OGMS and making proposals on the allocation of the profit to an OGMS, after obtaining the prior approval of the Board of Nominees;

(e) managing the relationship with the Depozitarul Central S.A (the "**Romanian Central Depositary**") with regard to its shareholders register functions;

(f) preparing an annual report on the management and the business policy of the Fund, to be presented to the Board of Nominees for approval prior to its submission to an OGMS;

(g) submitting to the prior approval of the Board of Nominees and further, to an OGMS, the yearly income and expenditure budget and business plan;

(h) submitting to the prior approval of the Board of Nominees and further, to an OGMS, the general strategy in accordance with the investment policy of the Fund;

(i) being responsible for the implementation of the investment policy and for achieving a proper balance between the profits and the risks related to the Fund's portfolio;

(j) periodically informing the Board of Nominees on any significant changes in the activities of the Fund and within the structure of its portfolio;

(k) approving the outsourcing of certain activities, within the limits of the approved budget; respectively delegating the performance of certain activities, with the prior endorsement of the FSA, where required by applicable law;

(l) based on a proposal of the Board of Nominees, submitting to the approval of an EGMS any agreement/document which may create binding obligations on the Fund, including but not limited to any agreement for the purchase, sale, conversion or encumbrance of any of the non-current assets of the Fund whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets of the Fund, less any receivables;

(m) entering into any agreement/document which creating binding obligations on the Fund, including any agreement for the purchase, sale, conversion or encumbrance of the non-current assets of the Fund whose value does not exceed, either individually or cumulated, during a financial year, 20% of the total value of the non-current assets, less any receivables, without the approval of an OGMS or EGMS;

(n) subject to the Articles of Association, the Investment Policy Statement and the applicable laws, taking decisions at its sole discretion in relation to the acquisition of, disposal of or exercise of rights and obligations in relation to, the assets of the Fund;

(o) submitting to an OGMS for approval any financial audit agreement according to applicable law, upon obtaining the prior approval of the Board of Nominees, and approving the procedures for internal audits and the audit plan;

(p) deciding on any relocation of the registered office, provided that the registered office shall at all times be registered in Romania, with the prior notification of the Board of Nominees;

(q) making available to the Board of Nominees the reports, as well as other necessary documents for exercising the monitoring duties, in accordance with the Articles of Association;

(r) informing the Board of Nominees at once of any litigation or infringement of legislation regarding the Sole Director, any operation which might infringe the investment policy and about the plans and/or corrective measures for dealing with these matters;

(s) calling a general meeting whenever an issue appears on which the Board of Nominees has a disagreement with the Sole Director, which cannot be resolved amicably;

(t) proposing to the Board of Nominees any recommendation to an EGMS for the appointment of any investment firm or bank in order to manage a public offer (such proposal to include details remuneration of the proposed remuneration of such investment firm or bank), it if necessary that such an investment firm or bank be appointed in relation to any proposed admission to trading of the Fund.

The Sole Director is responsible for coordinating the strategy of the Fund.

The Sole Director is responsible for ensuring that the Fund complies with and implements the provisions of relevant European and Romanian capital markets legislation. Similarly, the Sole Director is responsible for ensuring the Fund implements and maintains an accounting, risk management and internal controlling system meeting the standards of the Fund.

The Sole Director and its representatives carry out their activity at the Fund's headquarters.

Liability of the Sole Director

The Sole Director is held liable towards the Fund, according to the law. The Sole Director is required to take decisions only after due enquiries in respect of the circumstances existing at the time when such decisions are taken. The Sole Director may not disclose the confidential information and the commercial secrets of the Fund. Such obligation remains in force after the termination of the mandate.

The employees of the Sole Director and the persons closely related to them and to the Sole Director have the duty to report to the Sole Director and to the FSA any and all trading/business performed for their own account with (i) shares or other securities issued by the Fund and admitted for trading on regulated markets; and/or (ii) derivative financial instruments relating to securities issued by the Fund and/or (iii) any other instruments relating thereto.

Current representatives of the Sole Director

Sole Director

The Sole Director is Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, legally represented by Grzegorz Maciej Konieczny, Adrian Cighi and Oana-Valentina Truţa.

The Sole Director did not have any agreement, understanding or family relationship with the shareholders responsible for appointing it to the position of Sole Director. As at 22 April 2015, the Sole Director held no shares issued by the Fund.

Grzegorz Konieczny

Grzegorz Konieczny, born on 22 November 1970, is an executive vice president and portfolio manager and has joined the Franklin Templeton organisation in 1995. He has research and portfolio management responsibilities in Central and Eastern Europe. From September 2010, he has been the Fund's portfolio manager. Prior to joining Franklin Templeton, Mr. Konieczny was director of Capital Market Transactions at Bank Gdanski SA, one of the largest financial institutions in Poland at the time. Mr. Konieczny earned a master’s degree in economics and foreign trade from the University of Gdansk (Poland). In 1994, he obtained an investment advisor license from the Polish Securities and Exchange Commission. Mr. Konieczny speaks Polish, English, and Russian. As at 22 April 2015, Mr Konieczny held no shares issued by the Fund.

Adrian Cighi

Adrian Cighi, born on 10 August 1983, has experience in investment management and portfolio analysis. Mr Cighi graduated with a bachelor’s degree in Finance from the American International University in London and a master’s degree in Accounting and Finance from the London School of Economics and Political Science. He was employed as an analyst by major international investment banking and securities firms, including Goldman Sachs (London) and Lehman Brothers (London). Locally, Mr Cighi has acted as an investment analyst at BT Asset Management (Cluj) and management counsellor at Rematinvest (Cluj). He joined the Bucharest office of Franklin Templeton in 2010. As at 22 April 2015, Mr Cighi held no shares issued by the Fund.

Oana-Valentina Truţa

Oana-Valentina Truţa, born on 20 August 1980, has experience in investment management and portfolio analysis. Ms Truţa graduated with a bachelor’s degree in Finance and Insurance from the Babes Bolyai University in Cluj-Napoca and a master’s degree in Quantitative Economics and Finance from the same university. Prior to joining Franklin Templeton Ms Truţa acted as an investment analyst at Interdealer Capital Invest. She joined the Bucharest office of Franklin Templeton in 2010. As at 22 April 2015, Ms Truţa held no shares issued by the Fund.

Positions held by the Sole Director and/or its legal representatives in other companies

The Sole Director, Mr. Grzegorz Konieczny, Mr. Adrian Cighi and Ms. Oana-Valentina Truţa have acted or act as member of the administrative, management or supervisory boards or partner, in the five years before the date of this Prospectus, in the following companies:

Name	**Company**	**Position**	**Still in office**
Franklin Templeton Investment Management Limited United Kingdom	Fondul Proprietatea S.A.	Sole Director	Yes
Grzegorz Konieczny	Franklin Templeton Investments	Executive Vice-president and Portfolio Manager	No
	Franklin Templeton Investments	Executive Vice-president and Director of Eastern Europe/Russia Strategy	Yes
	Franklin Templeton Investment Management Ltd. UK Bucharest Branch	Chief Executive Officer	Yes

Name	Company	Position	Still in office
Adrian Cighi	Administratia Porturilor Maritime SA	Member of the Board	Yes
	Alcom SA	Member of the Board	Yes
	Posta Romana SA	Member of the Board	Yes
	Aeroporturi Bucuresti SA	Member of the Board	No
	Romgaz SA	Member of the Board	No
	Prestari Servicii SA	Member of the Board	No
Oana-Valentina Truța	Societatea de Producere a Energiei Electrice in Hidrocentrale Hidroelectrica SA	Member of the Supervisory Board/Member of the Board of Administration	No
	Transgaz SA	Member of the Board of Administration	No
	FDEE Electrica Distributie Muntenia Nord SA	Member of the Board of Administration	Yes
	FDEE Electrica Distributie Transilvania Nord SA	Member of the Board of Administration	Yes
	Electrica Furnizare SA	Member of the Board of Administration	Yes

There are no family relationships between the Sole Director's representatives or between them and the members of the Board of Nominees.

Remuneration of the Sole Director

The remuneration for the Fund Manager acting as both Fund Manager and Sole Director is established and calculated pursuant to the Investment Management Agreement. The remuneration of the Fund Manager in 2014 amounted to RON 56,479,028.

See section "*Material Contracts – Contracts with service providers – Investment Management Agreement*" for details on the computation of the remuneration of the Fund Manager and Sole Director.

The Sole Director has not entered into any contracts with the Fund or its subsidiaries, other than the Management Agreement. No benefits upon termination are provided in the current Management Agreement.

Board of Nominees

Overview

The Board of Nominees is a body of representatives of the Fund's shareholders, created in accordance with the Articles of Association and with Regulation 15/2004. The Board of Nominees does not have an equivalent corresponding body in the one-tier system regulated by the Companies Law.

The Board of Nominees consists of five members appointed for a period of three years by the shareholders, in accordance with the provisions of the Articles of Association. Each mandate shall be extended until the first general meeting of the shareholders after the date of expiry, in order to allow the shareholders to appoint a new member of the Board of Nominees. The Board of Nominees elects a chairman from amongst its members.

The Board of Nominees is required to have a sufficient number of members and a balanced composition in terms of their expertise in order to have effective capacity to supervise, scrutinise and evaluate the activity of the Sole Director of the Fund and the fair treatment of all the shareholders and to enable it to take well-informed decisions.

Any Fund shareholder has the right to make proposals for the appointment of the members of the Board of Nominees, who may also be shareholders of the Fund. The Articles of Association require that the members of the Board of Nominees have the proper experience and knowledge and be adequately qualified for: (i) receiving reports from the Fund Manager (acting both as Sole Director and as investment company) or from the Fund's consultants, (ii) assessing whether the management performed by the Sole Director falls within the scope of the investment policy of the Fund and (iii) deciding if the transactions proposed by the Sole Director, which are submitted to the approval of the Board of Nominees, are to the advantage of the Fund's shareholders.

In compliance with the requirements of the Code of Corporate Governance of the Bucharest Stock Exchange, the shareholders of the Fund appointed four independent members of the Board of Nominees. An independent member is defined as one who does not maintain, nor has recently maintained, directly or indirectly, any business relationships with the Fund or persons linked to the Fund, or shareholders of the Fund, of such significance as to potentially influence them.

The Board of Nominees must set up consultative committees (Nomination and Remuneration Committee and Audit and Valuation Committee) to examine specific issues determined by the Board of Nominees and to report to the Board of Nominees on the same. At least one independent member of the Board of Nominees is required to sit on each such committee. The mandate of each member of the Board of Nominees imposes the same kind of restrictions around confidentiality of the Fund's information and the same kind of reporting and consent requirements on the individual's ability to personally trade in the Fund's shares as are in place for the employees of the Sole Director.

Operation of the Board of Nominees

The Board of Nominees holds meetings at least once every quarter; however, notice of meetings of the Board of Nominees may be given whenever needed. Meetings of the Board of Nominees may be called by its chairman, any of its members or upon the request of the Sole Director. The Board of Nominees shall meet no later than seven days after notice of a meeting is given.

The chairman of the Board of Nominees or, during his absence, a member of the Board of Nominees elected by the other members to chair the meeting is responsible for ensuring that the meetings of the Board of Nominees are properly conducted. The Board of Nominees shall hold its meetings at the headquarters of the Fund or at such other location as agreed among the members of the Board of Nominees.

The meetings of the Board of Nominees may be held in the presence of the absolute majority of its members. The members of the Board of Nominees may be represented at meetings only by other members of the Board of Nominees based on a written special power of attorney, which is required to be presented in original form at the beginning of the meeting. One member of the Board of Nominees may represent only one absent member. Decisions of the Board of Nominees may be passed by the votes of an absolute majority of members; all the members of the Board of Nominees attending a meeting must sign the decisions taken during the meeting. If any member of the Board of Nominees is represented by an attorney, the relevant power of attorney will be annexed to the minute of the meeting.

If the required quorum for a meeting of the Board of Nominees is not met, the chairman of the Board of Nominees shall give notice for a second meeting of the Board of Nominees, having the same agenda as the first meeting. If the required quorum is not met for three consecutive meetings, the chairman of the Board of Nominees shall ask the Sole Director to convene a general meeting of shareholders in order to properly decide on the respective matter; if the Sole Director does not call a shareholders' meeting, any of the members of the Board of Nominees will be entitled to convene the general meeting.

In case of a vacancy of the seat of one or more members of the Board of Nominees, a general meeting of the shareholders shall be immediately convened for the appointment of new members. The remaining members of the Board of Nominees may nominate members *ad interim* to fulfil the vacant positions until the general meeting of shareholders takes place. The decision of the Board of Nominees on nominating members *ad interim* will be communicated to the Sole Director and the auditor and will be filed with the Trade Register.

The members of the Board of Nominees carry out their activity at the Fund's headquarters.

Responsibilities of the members of the Board of Nominees

The Board of Nominees has the following duties, as per the Articles of Association:

(a) requesting the inclusion of additional matters in any notice of a general meeting of shareholders, following the information received from the Sole Director with regard to the notice of the general meeting;

(b) receiving from the Sole Director any information in connection with answers to written requests submitted by the Fund's shareholders before the date of a general meeting of shareholders on issues regarding the Fund's activity;

(c) receiving from the Sole Director the annual financial statements, the annual activity report presented by the Sole Director and the financial auditors' report, before being made available to the shareholders, and analysing them, and issuing an opinion if it has any objections. Such an opinion shall be presented to both the Sole Director and the shareholders;

(d) receiving from the Sole Director for analysis the annual report and the management policy of the Fund and presenting an opinion to the Sole Director and to a general meeting of the shareholders;

(e) receiving from the Sole Director for analysis the yearly income and expenditure budget before it is submitted to the approval of the general meeting of shareholders and presenting an opinion to the Sole Director and to a general meeting of the shareholders;

(f) receiving from the Sole Director for analysis the strategy and investment policy of the Fund before it is submitted for the approval of the general meeting of the shareholders and presents an opinion to the Sole Director and to the general meeting of the shareholders;

(g) receiving from the Sole Director for analysis and approving the framework for carrying out the Fund's operations, as well as any other Fund regulations issued by the Sole Director according to applicable law and capital market rules and regulations;

(h) receiving from the Sole Director for analysis the proposal for the shareholders in respect of the conclusion of any financial audit agreement and presenting an opinion to the Sole Director and to the OGMS;

(i) reviewing on a regular basis the investment policy of the Fund and presenting an opinion to the shareholders at any time it deems necessary, but at least once a year, with the occasion of the annual general meeting of shareholders;

(j) receiving the reports of the internal auditor and presenting an opinion to the Sole Director and to a general meeting of the shareholders;

(k) monitoring the following, based on information and reports received from the Sole Director:

   (a) the list of all portfolio investments and percentage breakdown by each investment type;

   (b) a list of major transactions occurred in the Fund's portfolio for the period under review;

   (c) the total profit of the portfolio and the comparison of profit with the appropriate market benchmark;

   (d) comparison of the obtained profit with the initial objective;

   (e) the extent of compliance with the investment policy, as well as any variations and actions taken to get the correct results;

   (f) the performance evaluation report.

   Based on its monitoring activity, the Board of Nominees shall draft and present to the general meeting of shareholders an annual report on the monitoring activity performed or a monitoring report for another period agreed by the general meeting of shareholders.

(l) representing the general meeting of shareholders in relation with the Sole Director with respect to the communication between the two corporate bodies, except for the cases expressly regulated by the Articles of Association as a direct communication between the general meeting and the Sole Director;

(m) verifying the reports of the Sole Director and the exercise of the permanent monitoring over the management of the Fund by the Sole Director; to this end, the Board of Nominees verifies if the operations carried on by the Sole Director are in compliance with applicable law, the Articles of Association and/or with any relevant decision of the general meeting of shareholders;

(n) convening general meetings of the shareholders in the circumstances provided in the Articles of Association;

(o) participating in general meetings of shareholders and presenting during these meetings reports as required under the Articles of Association or with regard to any issue it deems to be relevant for the shareholders;

(p) proposing to the general meeting of the shareholders the prior approval or rejection of any agreement/document which may create binding obligations on the Fund, including without limitation any agreement for the purchase, sale, exchange or pledge of any non-current assets of the Fund whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables;

(q) recommending the termination of the investment management contract to a general meeting of shareholders whenever it considers the termination to be in the best interest of the shareholders;

(r) making recommendations to the general meeting of shareholders regarding any other issues the Board of Nominees considers relevant for the shareholders;

(s) making recommendations to the shareholders, upon the proposal of the Sole Director, in connection with the appointment of any intermediary in relation to any public offering of the Fund and its fees, when such appointment will be necessary in connection with a proposed admission to trading of the Fund's securities;

(t) approving the delegation by the Sole Director of certain activities (which will become effective only after FSA approval, where required); and

(u) monitoring the Sole Director's performance of the Investment Management Agreement.

Liability of the members of the Board of Nominees

The members of the Board of Nominees are liable to the Fund's shareholders in accordance with the rules of mandate. The decision-making process is a collective responsibility of the Board of Nominees, which remains fully liable for decisions taken within its area of competence.

In addition to the rules of mandate, the Articles of Association provide further rules on the evaluation of the liability of the members of the Board of Nominees. The members of the Board of Nominees are required to take decisions only after due enquiries in respect of the circumstances existing at the time when such decisions are taken. The members of the Board of Nominees are not allowed to disclose confidential information and the commercial secrets of the Fund. Such obligation remains in force after the termination of the mandate.

The Fund may not grant financial support to the members of the Board of Nominees or to spouses or close relatives of members of the Board of Nominees or to companies where a member of the Board of Nominees acts as director or owns at least 20% of the share capital.

Current members of the Board of Nominees

The Board of Nominees currently consists of the members listed in the table below, who were appointed by the OGMS for mandates of three years.

Name	Appointment date	Mandate expiry date	Position
Sorin-Mihai Mîndruțescu	29 September 2010	30 September 2016*	Chairman of the Board of Nominees
Mark H. Gitenstein	30 September 2013	30 September 2016	Member of the Board of Nominees
Steven van Groningen	13 April 2012	14 April 2018*	Member of the Board of Nominees
Julian Healy	5 April 2012	5 April 2018*	Member of the Board of Nominees
Piotr Rymaszewski	5 April 2012	5 April 2018*	Member of the Board of Nominees

* Second mandate in office
Source: Fund's 2014 Annual Report

Sorin – Mihai Mîndruţescu

Mr Sorin-Mihai Mîndruţescu, born on 28 July 1969, has extensive experience in corporate finance and in the banking industry. From 1994 until 2001, he held various senior positions in a number of large Romanian credit institutions. From 2009 until 2012, Mr Mîndruţescu was Chairman of the Board of Directors of the American Chamber of Commerce Romania (AmCham). Currently, Mr Mîndruţescu is a managing director with Oracle Romania. Mr Mîndruţescu holds MBA qualifications from both The University of Edinburgh Management School and ENCP School of International Management in Paris. As at 22 April 2015, Mr. Mîndruţescu held no shares issued by the Fund. Mr Mîndruţescu is an independent member.

Mark H. Gitenstein

Mr Mark Gitenstein, born on 7 March 1946, is special counsel in the Government & Global Trade practice in Mayer Brown's Washington DC office. He was appointed in 2009 by President Barack Obama to serve as the United States Ambassador to Romania, completing his term of service at the end of 2012. As US Ambassador to Romania, he worked to strengthen relations with Romania on a variety of issues. He actively promoted deeper development of Romania’s equity markets, as well as a fair and transparent business environment for all investors. He also encouraged greater private sector involvement in state-owned enterprises (SOEs), including the introduction of a corporate governance code for SOEs. In 2012, Romanian President Traian Băsescu awarded Mr Mark Gitenstein with the "Star of Romanian Grand Cross", the country’s highest civil order, and that same year the Romanian weekly Nine O’clock designated him as the Best Foreign Diplomat for 2012. Before undertaking his ambassadorial role, Mr Mark Gitenstein spent two decades as a partner at Mayer Brown. Additionally, he was a non-resident senior fellow in governance studies at the Brookings Institution, where he specialised in issues related to national security and civil liberties. Before joining Mayer Brown, Mr Mark Gitenstein served for 17 years on the staff of the US Senate Judiciary and Intelligence committees, 13 of those years working for Senator Joe Biden. He is the author of Matters of Principle, an award winning book on his experience managing the Judiciary Committee staff during the confirmation battle over the nomination of Robert Bork to the Supreme Court. As at 22 April 2015, Mr Mark Gitenstein held no shares issued by the Fund. Mr Mark Gitenstein is an independent member.

Steven van Groningen

Mr Steven Cornelis van Groningen, born on 29 December 1957, has extensive experience in banking and is the President and CEO of Raiffeisen Bank SA Romania. Mr van Groningen previously held senior management positions in ABN AMRO Bank (in Romania, Russia and Hungary). Mr van Groningen is the Vice-President of Foreign Investors Council in Romania. As at 22 April 2015, Mr van Groningen held 522,708 shares issued by the Fund. Mr van Groningen is an independent member.

Julian Healy

Mr Julian Healy, born on 29 January 1962, has long and extensive experience of banking and investment management in emerging markets and particularly in central and Eastern Europe. He is a Member of the Institute of Chartered Accountants in England and Wales. Mr Healy also acts as a non-executive director of a number of companies. As at 22 April 2015, Mr Healy held no shares issued by the Fund. Mr Healy is an independent member.

Piotr Rymaszewski

Mr Piotr Rymaszewski, born on 10 July 1964, has experience in finance, turnaround, real estate and law. He is the CEO of Octava S.A., a company listed on the Warsaw Stock Exchange. He also acts as a non-executive director of a number of both listed and unlisted companies, representing institutional investors. As at 22 April 2015, Mr Rymaszewski held no shares issued by the Fund.

There are no family relationships between the members of the Board of Nominees or between the members of the Board of Nominees and the representatives of the Sole Director.

Positions held by the members of the Board of Nominees in other companies

The members of the Board of Nominees have acted or act as members of the administrative/management or supervisory boards or partner, in the five years before the date of this Prospectus, in the following companies:

Name	Company	Position	Still in office
Sorin-Mihai Mîndruțescu	Fondul Proprietatea	Chairman of the Board of Nominees	Yes
	Compania Nationala de Cai Ferate "CFR" SA	Member of the Board	Yes
	Oracle Romania SRL	Member of the Board	Yes
Mark H. Gitenstein	Fondul Proprietatea	Member of the Board of Nominees	Yes
	Mayer Brown LLP	Special Counsel	Yes
Steven van Groningen	Fondul Proprietatea	Member of the Board of Nominees	Yes
	Raiffeisen Bank SA	Chairman of the Board	Yes
	Raiffeisen Capital & Investment SA	Chairman of the Board	No
Julian Healy	Fondul Proprietatea	Member of the Board of Nominees	Yes
	Unibank (Azerbaijan)	Member of the Supervisory Board	Yes
	Korado (Czech republic)	Member of Board of Directors	Yes
	Quorum Investments Limited (Czech Republic)	Partner	Yes
	KazInvestBank (Kazakhstan)	Member of Board of Directors	No
	Unileasing (Azerbaijan)	Member of Board of Directors	No
	Jadranka Hotels (Croatia)	Member of Board of Directors	No
Piotr Rymaszewski	Fondul Proprietatea	Member of the Board of Nominees	Yes
	Octava Asset Management Sp. z o.o.	Partner	Yes
	Sygnity S.A.	Member of the Supervisory Board	Yes
	Link4 S.A.	Member of the Supervisory Board	No

Remuneration of the members of the Board of Nominees

The remuneration of the members of the Board of Nominees is established by OGMS decisions, in accordance with the Articles of Association.

Currently, the monthly gross remuneration for the members of the Board of Nominees is set at RON 15,000 per month, pursuant to the OGMS decision no. 6 of 25 April 2013.

The remuneration and other benefits received by the members of the Board of Nominees in the course of the 2014 financial year are detailed in the table below.

Name	Remuneration (gross amount)	Other benefits
Sorin – Mihai Mîndruțescu	RON 180,000	N/A
Mark H. Gitenstein	RON 180,000	N/A
Steven van Groningen	RON 180,000	N/A
Julian Healy	RON 180,000	N/A
Piotr Rymaszewski	RON 180,000	N/A

None of the members of the Board of Nominees has entered into any contracts with the Fund or its subsidiaries, other than mandate agreements in connection with the performance of their attributions as members of the Board of Nominees. No benefits upon termination are provided in the current mandate agreements concluded between the members of the Board of Nominees and the Fund.

Internal Control

Committees within the Board of Nominees

A permanent Audit and Valuation Committee composed of three members of the Board of Nominees assists the governing bodies of the Fund in the area of internal control and financial reporting in an advisory capacity. The Audit and Valuation Committee is independent from the Sole Director and from the Board of Nominees.

The Audit and Valuation Committee provides assistance to the Sole Director in fulfilling its responsibilities for financial reporting, internal control and risk management and examines the efficiency of financial reporting, internal control and risk management processes on a periodic basis. To this end, the Audit and Valuation Committee supports the Sole Director and the Board of Nominees in monitoring the credibility and integrity of the financial information reported by the Fund, as well as the valuations of listed and unlisted portfolio companies.

In addition, the Audit and Valuation Committee monitors the Fund's financial auditor's independence and objectivity and has general oversight responsibilities in connection with the selection, appointment and replacement process of the Fund's financial auditor and the remuneration of the financial auditor.

The Audit and Valuation Committee also prepares an annual report regarding its activity. In fulfilling its duties, the Audit and Valuation Committee adopts proposals and recommendations and submits them for approval to the Fund Manager and to the Board of Nominees.

The Audit and Valuation Committee consists only of non-executive directors, of whom at least one member must have relevant accounting or financial audit expertise. The Audit and Valuation Committee includes members having the necessary expertise in the area of financial audit and accounting. As at the date of this Prospectus, the Audit and Valuation Committee members were Julian Healy, Steven van Groningen and Piotr Rymaszewski.

A Nomination and Remuneration Committee composed of three members of the Board of Nominees was established to assist the governing bodies of the Fund in the area of nomination and changes in remuneration. As at the date of this Prospectus, the Nomination and Remuneration Committee members were Mark Gitenstein, Sorin Mihai Mîndruţescu and Piotr Rymaszewski.

Risk management and compliance

The Sole Director has issued internal regulations to ensure that timely and accurate disclosure is made on all material matters regarding the Fund, including the financial position, performance, ownership and governance of the Fund. In addition, strict internal rules, designed to protect the Fund's interests, have been established in the areas of financial reporting, internal control and risk management.

The Sole Director has established a compliance department which oversees compliance by the firm and its staff with applicable law regarding capital market, as well as with internal regulations. The registered Compliance Officer is part of the Franklin Templeton International Compliance Department and reports directly to the Compliance Manager – Advisory EMEA.

The compliance department is responsible for providing regulatory guidance, advice and compliance training to operational departments, assisting them in managing reputational risk in relation to legal or regulatory requirements and codes of conduct and performing second level compliance controls. It covers the areas of conduct of business rules, personal conduct and anti-money laundering/financial crime.

The Sole Director has also implemented a risk management policy. The purpose of this policy is to establish an effective risk framework that meets regulatory requirements, and thereby enhances the Sole Director's governance structure throughout the business. The European Risk Committee of Franklin Templeton is responsible for the oversight of all risk management processes, including those relating to Anti Money Laundering (AML).

The Sole Director oversees risk based on its Compliance Monitoring Policy. The risk assessment is a critical element of the Fund's oversight and monitoring program. The compliance monitoring programme is updated annually with findings reported to Senior Management on a monthly basis. At a minimum, high risk areas are monitored annually; medium risk areas are monitored on an 18 month cycle and low risk items on a 3 year cycle. The compliance monitoring programs will be updated to reflect the results of the final risk assessment for each fiscal year.

In respect of the portfolio monitoring activity, Franklin Templeton Investment Management Limited United Kingdom has procedures and controls which are designed to ensure that all assets are managed prudently and in accordance with client mandates. In addition, Franklin Templeton has a dedicated team Global Investment Adviser Compliance ("**GIAC**") of specialists who are responsible for the rigorous day-to-day monitoring of all client accounts, including the Fund, against the agreed investment guidelines and constraints.

The front office trade management system has embedded compliance functionality which enables investment restrictions, regulatory and internal requirements to be included within the system. All trade orders (with the exception of foreign exchange trades and certain debt and derivative security trades) are automatically checked against the relevant investment restrictions in our system prior to trading.

Post trade compliance checks are automatically run overnight for all portfolios against the investment restrictions included within our trade management system. Any exceptions are investigated and cleared by Franklin Templeton GIAC team. Investment restrictions that cannot be automated are reviewed periodically.

All active and passive breaches are reported to the relevant investment managers and operating departments. Corrective action is taken as necessary to address and resolve any issues. Trading errors are monitored by the internal compliance department of Franklin Templeton.

The internal compliance department of Franklin Templeton produces periodical reports which provide details on significant compliance matters and initiatives, updates on monitoring activities, and current complaints and breaches. These reports are circulated to the relevant senior management.

Behaviour of the Fund's management bodies

At the date of this Prospectus, none of the members of the Board of Nominees, the Sole Director and its representatives has at any time within the last five years:

(a) had any convictions in relation to fraudulent offences;

(b) held an executive function in the form of a senior executive officer or a member of the administrative, management or supervisory bodies, of any company at the time of, or preceding any bankruptcy, receivership or liquidation; or

(c) been subject to any official public incrimination and/or sanctions by statutory or regulatory authority (including any designated professional body) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

Conflict of interests

There are no conflicts of interest between the obligations and duties assumed by any of the members of the Board of Nominees, the Sole Director and the representatives thereof towards the Fund and their private interests and/or other obligations.

As a global investment manager, the Franklin Templeton group is very concerned with conflicts of interest. It is Franklin Templeton's policy to take all reasonable steps to maintain and operate effective organizational and administrative controls to identify and manage potential conflicts of interest. The Franklin Templeton group has group-wide policies for managing conflicts of interest and ensuring the ethical conduct of its entire staff, which apply to the Sole Director. These policies were designed to evidence compliance with the conflicts of interest requirements, as set out in the MiFID, and were also submitted to FSA during the course of the Sole Director’s licensing application.

The Sole Director conducts all business according to the principle that it must manage fairly any conflicts of interest between itself and its client (including the Fund) or between multiple clients. The Fund Manager has in place conflicts of interest policies addressing actual, perceived or potential areas of conflicts, as well as to ensure that the Fund is treated fairly and equitably, in line with the Fund Manager's fiduciary obligations and the Fund’s investment objectives. Based on the Articles of Association, the members of the Board of Nominees, the Sole Director and its representatives and employees, as well as their spouses and close relatives have the duty to disclose immediately to the Board of Nominees and to the internal auditors any material personal interests they may have in transactions of the Fund as well as all other conflicts of interest and must not take part in any deliberation regarding the conflicted operation.

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

None of the members of the Board of Nominees, the Sole Director and the representatives thereof concluded any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which they were appointed in their current positions.

PRINCIPAL SHAREHOLDERS

The table below sets forth certain information regarding the Fund's shareholders as at 31 March 2015:

	Shares		
Shareholder type	**(Number)**	**% of subscribed share capital**	**% of the paid-up share capital**
Romanian private individuals	2,450,897,708	20.12	20.74
Foreign institutional shareholders	6,249,671,241	51.29	52.87
Foreign private individuals	674,283,253	5.54	5.70
Ministry of Public Finance	368,500,817	3.02	0.04
Romanian institutional shareholders	1,388,916,933	11.40	11.75
The Fund (treasury shares)	1,052,008,715	8.63	8.90
Total	12,184,278,667	100	100

Each Share grants equal rights, including voting rights. As at the date of this Prospectus, insofar as is known to the Fund, the following shareholders own more than 5% of the voting rights in the Fund:

Name of the shareholder	**Voting rights**	**Number of Shares**
Manchester Securities Corp. (New York) and Beresford Energy Corp, part of the Elliott group of companies	20.01 %	2,152,483,085

The Fund is not directly or indirectly owned or controlled by any entity or individual.

DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE

Overview

At the date of this Prospectus, the fully paid share capital of the Fund amounts to RON 11,229,443,001.15, divided into 11,820,466,317 fully paid Shares, each Share with a par value of RON 0.95. The number of shares issued but not fully paid (which are owned by the Romanian State) is 363,812,350. The total issued share capital of the Fund amounts to RON 11,575,064,733.65, divided into 12,184,278,667 Shares.

The Shares are created under Romanian law, are ordinary nominative shares, of equal value, issued in dematerialised form, evidenced in book entry form and granting equal rights to their holders.

The Romanian Central Depositary, an independent registry company authorised by the FSA, having its headquarters on 34 - 36 Carol I Boulevard 020922, Floors 3, 8 and 9, Bucharest, District 2, Romania, maintains the shareholder register of the Fund.

		31 December		
Share Capital Information	**22 April 2015**	**2014**	**2013**	**2012**
Issued share capital (RON)	11,575,064,733.65	11,815,279,886.85	13,778,392,208.00	13,778,392,208.00
Paid share capital (RON)	11,229,443,001.15	11,469,658,154.35	13,413,137,586.00	13,412,780,166.00
Number of Shares in issue	12,184,278,667	12,437,136,723	13,778,392,208	13,778,392,208
Number of paid Shares	11,820,466,317	12,073,324,373	13,413,137,586	13,412,780,166
Nominal value per Share	0.95	0.95	1.00	1.00
Treasury shares	1,072,212,715	1,153,475,935	1,341,255,485	240,304,801

Source: The Fund's annual reports

In compliance with the provisions of the Articles of Association and according to applicable law, the Fund may acquire its own shares. At 22 April 2015, the Fund holds 1,072,212,715 Shares, representing 8.80% of the Fund's share capital. No Shares are held on behalf of the Fund by other persons, including the Fund's subsidiaries.

At the date of this Prospectus, 363,812,350 Shares, representing 2.99% of the share capital of the Fund, have their voting rights suspended. These Shares belong to the Ministry of Public Finance and the voting rights are suspended until the Shares are fully paid.

Evolution of the Fund's share capital

The following table presents information with respect to the main events during the period from 1 January 2012 until the date of this Prospectus, which have changed the amount of the issued share capital of the Fund:

Date	**Change of share capital**	**Reason**	**Composition of share capital after event**			
			Issued share capital	**Paid share capital**	**Issued shares**	**Paid shares**
1 January 2012	n/a	n/a	13,778,392,208.00	13,407,569,096.00	13,778,392,208	13,407,569,096
24 February 2014	Share capital decrease	The cancelation of the shares acquired during the first buy-back programme	13,538,087,407.00	13,172,832,785.00	13,538,087,407	13,172,832,785
25 June 2014	Share capital decrease	The decrease for cash distributions to shareholders	12,861,183,036.65	12,515,396,724.25	13,538,087,407	13,174,101,815
26 September 2014	Share capital decrease	The cancelation of the shares acquired during the second buy-back programme	11,815,279,886.85	11,469,656,813.90	12,437,136,723	12,073,322,962
27 January 2015	Share capital decrease	The cancelation of the shares acquired during	11,575,064,733.65	11,229,443,001.15	12,184,278,667	11,820,466,317

Date	Change of share capital	Reason	Composition of share capital after event			
			Issued share capital	Paid share capital	Issued shares	Paid shares
		the third buy-back programme				
Prospectus date	n/a	n/a	11,575,064,733.65	11,229,443,001.15	12,184,278,667	11,820,466,317

On 21 January 2015, the EGMS of the Fund approved a decrease of the share capital. Further to this decision and subject to FSA endorsement, which is still pending as at the date of this Prospectus, the share capital of the Fund shall decrease from RON 11,575,064,733.65 to RON 10,965,850,800.30, through the reduction of the par value of the Shares of the Fund from RON 0.95 to RON 0.90. Once the decrease is implemented, the issued share capital of the Fund shall be RON 10,965,850,800.30, consisting of 12,184,278,667 issued Shares.

Since 2012, the Fund has set-off the value of a total number of 7,010,762 unpaid Shares against receipt of certain contributions in kind from the Romanian State.

The Fund Manager has conducted and completed four buy-back programs in the period covered by the financial statements. The details regarding the buy-back programmes performed by the fund are below:

Program	Period	No. of Shares to be repurchased *(million)*	Cancellation of Shares
First	May-September 2011	240,3	Completed
Second	April-December 2013	1,100.9	Completed
Third	March-July 2014	252.9	Completed
Fourth	October 2014-February 2015	990.9	On the agenda of the 27 April 2015 EGMS

The Fund Manager has submitted to the approval of the EGMS called for 27 April 2015 a further decrease of the share capital of the Fund, from RON 10,965,850,800.30 to RON 10,074,080,745.90, by the cancellation of 990,855,616 Shares acquired during the Fund's fourth buy-back programme. The proposed share capital decrease is subject to the successful completion of the share capital decrease approved on 21 January 2015 and to endorsement by the FSA and may be implemented after the expiry of two months after the publication of the EGMS approval decision in the Official Gazette of Romania.

The Fund's EGMS approved on 19 November 2014 a fifth buy-back programme, which aims to acquire a maximum of the lesser of (i) 227,572,250 Shares or (ii) 10% of the subscribed share capital at the relevant time. The programme has started on 10 February 2015 and can be carried out until August 2016. The price range is a minimum RON 0.2 per Share and a maximum RON 2.0 per Share. Only fully paid Shares can be repurchased. The buy-back programme is intended to decrease the Fund's share capital, which will be achieved by a separate shareholders' decision after the completion of the programme. The programme will be implemented subject to the availability of necessary funds.

The Fund Manager has submitted to the approval of the EGMS called for 27 April 2015 the sixth buy-back programme in respect of the Fund's Shares, including in respect of depositary receipts having as underlying assets the Fund's Shares or depositary interests in connection with the Fund's Shares. The proposed programme aims for the acquisition of a maximum of the lesser of (i) 891,770,055 Shares or equivalent in depositary receipts or depositary interests or (ii) 10% of the subscribed share capital of the Fund at the relevant time. The programme may be implemented within 18 months after the publication of the approval resolution in the Official Gazette of Romania. The proposed price range is a minimum RON 0.2 per Share and a maximum RON 2 per Share. The buy-back programme is intended to decrease the Fund's share capital. The Fund Manager would implement the programme subject to the availability of necessary funds.

Shares

Currently, the Shares are listed on the Regulated Market of the Bucharest Stock Exchange, Premium Category. 10.27.1

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

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data, quarterly report for the quarter ended 30 September 2014

Upon incorporation of the Fund, the nominal value of a Share issued by the Fund was RON 1. On 3 February 2014, the Fund's EGMS approved the decrease of the Fund's share capital by decrease of the nominal value of the Shares to RON 0.95 per Share. The Fund implemented the decrease of the share capital, after receiving the endorsement of the FSA, on 25 June 2014. The decrease of the nominal value per Share and the EGMS resolution approving the payment to the Fund's shareholders of the amount of the decrease were effective as of the same date, 25 June 2014.

The Fund's EGMS further approved the decrease of the par value of the Shares to 0.90 RON on 21 January 2015. The decrease was intended to optimise the share capital of the Fund, involving the return to the shareholders of a part of their contributions, proportionally with their participation to the paid-up share capital of the Fund. Please refer to "*Dividend policy*" for more information on the use of share capital decrease as a means to distribute cash to the Fund's shareholders. The decrease of the Fund's share capital is pending FSA endorsement at the date of this Prospectus. The decrease of the nominal value of the Shares and the EGMS resolution approving the payment to the Fund's shareholders of the amount of decrease will become effective only once the FSA issues its endorsement.

The Fund has not issued any convertible securities, exchangeable securities or securities with warrants, nor were there granted any acquisition rights or undertaken any obligations over authorised but unissued capital or obligations to increase the Fund's share capital.

No Shares of the Fund are subject to options, nor is there any conditional or unconditional agreement for Shares to be put under option.

Unpaid Shares

At the date of the Prospectus, the total number of Shares issued by the Fund, but unpaid by the Romanian State, is 363,812,350. According to the provisions of Law 247/2005, until full payment of the Shares unpaid Shares are blocked in the accounts of the Romanian State with the Romanian Central Depositary and may not be sold or transferred as compensation. Unpaid Shares are liberated progressively, as the Romanian State transfers to the Fund the relevant contributions, in cash or in kind. Law 247/2005 further notes that any payments made by the Romanian State to the Fund, in cash or in kind, will be deemed to be made with priority to account for the payment obligation in respect of the unpaid Shares. Unpaid Shares may be traded on the Regulated Market of the Bucharest Stock Exchange only after submitting to the FSA evidence of full payment of the Shares, consisting in an ascertaining certificate issued by the Trade Registry and a written confirmation from a FSA-registered financial auditor or valuer.

Also in accordance with Law 247/2005, unpaid Shares are not taken into account for determining the Fund's NAV. In case of liquidation of the Fund, the holder of unpaid Shares is not entitled to receive the proceeds of the liquidation. Furthermore, based on Law 247/2005, unpaid Shares are not taken into account for the purpose of determining the quorum or majority requirements for the Fund's general meetings of shareholders and have no voting rights attached.

Since 2012, the Fund has set-off the Romanian State's obligation to pay up Shares against receipt of further shares from the Romanian State in companies in the Fund's portfolio. Consequently, the Fund considered paid the value of a total number of 7,010,762 unpaid Shares, which were unblocked from trading after the transfer of ownership from the Romanian State over the shares in the relevant companies and the completion of the relevant registration formalities.

Rights, preferences and restrictions attaching to the Shares

The Shares give equal rights to their holders. All shareholders are to be treated equally to other shareholders that own the same type of Shares. Each shareholder must exercise its rights in good faith, by observing the rights and legitimate interests of the Fund and of other shareholders. Save as set out below, the Articles of Association of the Fund do not provide for special conditions for the exercise of the shareholders' rights, derogating from the common framework of the applicable laws.

Voting right and other rights of the Fund's shareholders

The shareholders' fundamental rights include the right to participate at the general shareholders' meeting and the right to vote. The Fund's Articles of Association provide that each Share represents one voting right. See further details on the voting rights in the context of general meetings of shareholders in "*Description of Share Capital and Corporate Structure—General meetings of the shareholders and voting rights*".

Other rights of the shareholders, in accordance with the Articles of Association and with the applicable laws, include the right to elect and to be elected in the management bodies of the Fund. The Articles of Association expressly indicate, in this respect, that a shareholder may submit proposals with respect to the appointment of the members of the Board of Nominees and that the members of the Board of Nominees may be selected among the shareholders of the Fund.

Rights to dividends

Shareholders registered with the Fund's shareholders' registry have the right to receive dividends. According to the Companies Law, dividends may be distributed only if the Fund registers profit, as recorded in the annual financial statements. Please see also "*Dividend policy*".

The Fund's Articles of Association provide that dividends are distributed proportionally with the Shares held.

The OGMS makes decisions regarding the distribution of the profit of the Fund and determines dividends. The OGMS must also establish the date at which the shareholders entitled to benefit from the dividends distribution or from other rights are identified. Such date may not be established earlier than 10 business days after the date of the OGMS.

Once the dividends are fixed, the OGMS shall determine the term on which the dividends shall be paid to the shareholders. This term shall not exceed six months from the date of the relevant decision of the OGMS. If the OGMS does not determine the dividend payment date, as per the description above, the dividends shall become due within 30 days from the date the OGMS decision establishing the dividends is published in the Official Gazette of Romania, Part IV.

The payment of dividends is subject to a statute of limitation of three years calculated beginning with the dividend payment date. The statute of limitation operates in favour of the Fund in the sense that no legal action may be taken regarding the payment of dividends after the statute of limitation has passed.

Preference right

The Companies Law provides the shareholders of joint stock companies, in general, with a preference right to subscribe for any issue of new shares on a *pro rata* basis.

According to the provisions of the Companies Law, a shareholder may exercise preference rights during the period established in the resolution of the EGMS on increase of the share capital (the period may not be less than one month following the date of publication of the EGMS decision on the increase of the share capital in the Official Gazette of Romania, Part IV).

The preference right may be limited by the EGMS, attended by shareholders representing at least ¾ (three quarters) of the subscribed share capital and with the majority of the votes of the present shareholders. By way of exemption, according to the Capital Markets Law, in the case of a share capital increase by contribution in cash, the withdrawal of the preference right of the shareholders to subscribe for new shares must be decided by the EGMS attended by shareholders representing at least ¾ (three quarters) of the Fund's share capital and based on the vote of shareholders representing at least two thirds of the voting rights.

Right to information

The shareholders' right to be informed about the activity of the Fund may, in general, be exercised at any time. The shareholders have the right to obtain any information regarding the exercise of voting rights and information regarding the voting results in the general meetings of shareholders. In the context of the calling of a general meeting of shareholders and in advance of such meeting, the shareholders are entitled to request copies of the annual financial statements, of the Sole Director's reports and of the proposal of distribution of dividends.

Withdrawal right

According to the Companies Law, the shareholders that did not vote in favour of a certain decision have the right to withdraw from the Fund and to request the Fund to acquire their Shares. This right may be exercised only if the decisions mentioned above refer to: (i) changing the Fund's main object of activity as set out in the Articles of Association; (ii) relocating the Fund's registered seat to another country, (iii) changing the Fund's legal form or (iv) the Fund's merger or spin off. This right may be exercised within 30 days from the date when the decision of the general meeting of shareholders has been published in the Official Gazette of Romania, Part IV, in the cases provided for in points (i) to (iii) above and from the date when the decision of the general shareholders meeting has been passed, for the situation provided for in point (iv).

In addition, according to the Capital Markets Law, the shareholders of a company admitted to trading on a regulated market, who do not agree with the decisions taken by the general meeting as regards mergers and spin-offs, which involve the allotment of shares that are not admitted to trading on a regulated market, have the right to withdraw from the company and to obtain from the latter the counter-value of the shares.

The Capital Markets Law establishes, in favour of any shareholder who launches a public purchase offer addressed to all shareholders for all their holdings, the right to request the shareholders which have not subscribed to the offer to sell to him the respective shares at an equitable price, if the respective shareholder meets one of the following requirements:

(a) it holds shares accounting for at least 95% of the total share capital conferring voting rights and at least 95% of the voting rights which can be actually exercised; or

(b) it has acquired within the offer, shares accounting for at least 90% of the total number of shares of the share capital conferring voting rights and at least 90% of the voting rights targeted by the offer.

Such right may be exercised within three months from the closing date of the public purchase offer.

Also, following a public purchase offer addressed to all holders and for all their holdings, a minority shareholder has the right to require the shareholder falling under one of the situations provided under points (a) and (b) above to buy its shares at an equitable price. Such right may be exercised within three months from the closing date of the public purchase offer.

Right to challenge the decisions of the general meetings of shareholders

A shareholder who was absent at a general meeting of shareholders or has voted against a certain decision and has requested that its vote against the decision is registered in the minutes of that general meeting of shareholders is entitled to challenge such decision within 15 days as of its publication in the Romanian Official Gazette of Romania, Part IV.

Also, claims regarding an absolute nullity of a shareholders decision may be filed at any time.

Rights in case of liquidation

In the event of the liquidation of the Fund, all of the Fund's remaining assets following payment of all outstanding liabilities will be distributed among the shareholders according to their interest in the share capital (excluding shareholders who did not pay their contributions to the Fund's share capital). A resolution concerning the dissolution of the Fund requires a quorum of at least 50% of the total number of voting rights and a majority of at least two thirds of the voting rights attached to the Shares held by the shareholders attending the meeting in person or by proxy.

Other rights of the shareholders

Certain shareholders' rights are set out in the Articles of Association and in applicable law only in favour of shareholders holding a minimum percentage of the Fund's share capital:

(a) shareholders holding individually or together at least 10% of the share capital of the Fund may request the court to appoint an expert for the purpose of investigating matters concerning the management of the Fund;

(b) shareholders holding individually or together at least 5% of the share capital of the Fund have the right to request the internal auditors to investigate allegations concerning the Fund;

(c) shareholders representing at least 5% of the share capital of the Fund, individually or jointly, may request the Sole Director by a written address signed by the holder(s) to introduce new matters on the agenda of general meetings of the shareholders, within 15 days of the publication of the calling notice;

(d) shareholders representing at least 5% of the share capital, individually or jointly, may request in writing that the Sole Director immediately calls a general meeting of shareholders, in the cases where the request includes dispositions that fall under the responsibility of the general meeting of shareholders. In this case, a general meeting of shareholders shall be called within at most 30 calendar days and shall meet within at most 60 calendar days as of the date when the Sole Director received the request of the shareholders;

(e) if the Sole Director does not call a general meeting of shareholders, the shareholders who requested the general meeting may request the same from the Board of Nominees. Should the Board of Nominees not respond to their request in 10 business days from the receipt, the court may, by summoning the Sole Director, authorise the calling of a general meeting by the shareholders who made the request. The court will also establish the agenda of the meeting, the reference date for the shareholders who are entitled to attend the meeting, the date of the meeting and the person who will chair the meeting; and

(f) where a general meeting of shareholders fails to resolve matters dealing with directors, managers or financial auditors having caused losses ("*daune*") to the Fund by their conduct, shareholders holding, individually or together, as the case may be, at least 5% of the share capital of the Fund have the right to take legal action in this respect. In these cases, such actions are carried out in the name of the claimant shareholder but for the account of the Fund.

Each shareholder may address, in writing, questions regarding the activity of the Fund before the date when the general meeting of shareholders is held. The Sole Director shall answer such questions after obtaining the prior approval of the Board of Nominees. According to the Companies Law such questions shall be answered during the general meeting of shareholders.

The shareholders also have the right to receive Shares free of charge in case of a share capital increase by incorporation of reserves or from other internal sources.

Obligation to refrain from deliberations

The shareholder that, in a certain operation, has an interest contrary to the Fund, either personal or as a representative of another person, must refrain from deliberations. The shareholder who fails to observe this legal requirement may be held liable for any damages incurred by the Fund if without the vote of such shareholder the required majority for the passing of the respective resolution would not have been met.

Obligation to notify

According to the Capital Markets Law, if following the acquisition or sale of the securities issued by a company admitted to trading on a regulated market, the proportion of voting rights held by a person reaches, exceeds or falls below one of the thresholds of 5%, 10%, 20%, 33%, 50%, 75% or 90% of the total voting rights, that person must notify, within a maximum of three working days from acknowledging this operation, the company, the FSA and the regulated market where the respective securities are admitted to trading.

Provisions regarding mandatory public offers

Under the Capital Markets Law, a person owning more than 33% of the voting rights in a company pursuant to its own acquisitions of shares or the acquisition of shares of persons with whom the respective person acts in a concentrated manner, is obliged to make a public offer addressed to all securities holders. The public offer shall be in respect of all securities and shall be made as soon as possible, but no later than two months after reaching the 33% threshold.

Until the launch of the aforementioned public offer, the rights underlying the securities which exceed 33% of the voting rights in the company shall be suspended and the respective shareholder and the persons with whom the respective person acts in a concentrated manner shall not be able to purchase, by any other means, securities issued by the same company.

The requirement to make a mandatory public offer shall not apply where the threshold of 33% of the voting rights in the company was exceeded pursuant to an excepted transaction, in accordance with the provisions of the Capital Markets Law. An excepted transaction is one that results in the 33% threshold being exceeded pursuant to:

(a) a privatisation process;

(b) purchasing shares from the Ministry of Public Finance or other legally entitled entities within the procedure of enforcement of budgetary receivables;

(c) transfers of shares performed between a parent company and its subsidiaries or between the subsidiaries of the same parent company;

(d) a voluntary acquisition public offer addressed to all holders of securities and having as its object all securities held by such; and

(e) in certain conditions, as provided in Law no. 85/2014 on procedures preventing insolvency and insolvency, securities issued by the insolvent debtor during the insolvency procedure.

Changes in the share capital of the Fund

Increase in share capital

An EGMS is competent to pass resolutions to issue new Fund shares.

According to the Articles of Association, the Fund's share capital may be increased by issuing new shares in exchange for cash contributions (excluding contributions in kind) or by incorporating reserves (save for legal reserves and reserves created out of the re-evaluation of the patrimony), as well as of benefits and issuing premiums.

The increase in share capital must be decided with a majority of ⅔ (two thirds) of the voting rights of the shareholders who are present or represented at the EGMS. The quorum needed to pass such a decision is of 50% of the total voting rights, both at the first and at the second calling.

In accordance with the Companies Law, the Fund cannot increase its share capital, nor issue new shares as long as payment is outstanding in respect of previously issued shares (see section "*Description of Share Capital and Corporate Structure – Unpaid Shares*" for details on the Shares issued, but unpaid at the date of this Prospectus).

Reduction of share capital

According to the Articles of Association, the EGMS shall decide on the reduction of the share capital of the Fund. The Articles of Association further provide that the Fund's share capital may be reduced through (i) decrease in the number of shares; (ii) the decrease of the nominal value of the shares and (iii) by other means provided by law.

According to the applicable law, where it is not motivated by losses, the decrease of the share capital may also be effected by: (i) total or partial write-off of contributions due by the shareholders; (ii) returning to shareholders a part of their contributions, *pro rata* to the share capital decrease and calculated equally for each share; (iii) other methods set out in law.

Furthermore, the Articles of Association provide that, if the Sole Director notices that, due to accrued losses, the amount of the net assets (calculated as the difference between the total assets and the total liabilities of the Fund) is less than half of the value of the subscribed share capital, the Sole Director is bound to call an EGMS, which will decide if the Fund must be dissolved. If the EGMS does not approve the dissolution of the Fund, the Fund is bound to undertake, at the latest by the end of the fiscal year following the one in which the losses were registered, a share capital decrease with an amount at least equal to that of the losses which could not be covered by reserves, if in the meantime the net assets of the Fund were not reconstituted up to a value at least equal to half of the share capital.

A share capital decrease shall be performed only after two months as of the publication in the Official Gazette of Romania, Part IV, of the resolution of the EGMS.

The reduction in share capital must be decided with a majority of ⅔ (two thirds) of the voting rights of the shareholders present or represented at the EGMS. The quorum necessary for a valid decision to reduce the share capital of the Fund is one quarter of the voting rights at the first meeting or one fifth of the voting rights at the second meeting.

Acquisition and transfer of Shares

Ownership of shares may be transferred freely under Romanian law. Transfers of shares in the Fund are subject to the regulations of the Bucharest Stock Exchange and the clearing and settlement rules of the Romanian Central Depositary.

No restrictions have been agreed by the members of the Board of Nominees, the Sole Director or the representatives of the Sole Director on the disposal of their holdings in the Fund's Shares.

General meetings of shareholders and voting rights

Attributions of the general meetings of shareholders of the Fund

The authorities and powers reserved for the shareholders are divided between ordinary general meetings and extraordinary general meetings.

The decisions of general meetings of shareholders are mandatory for all the shareholders, including the absent shareholders, those that were not represented, or those that abstained or voted against.

The main decisions that may be passed by the OGMS include the following: (i) the discussion, approval and amendment of the annual financial statements after reviewing the reports of the Sole Director and financial auditor; (ii) establishing the distribution of the net profit and establishing the dividends; (iii) the appointment and dismissal of the members of the Board of Nominees; (iv) the appointment of the Sole Director in compliance with the legal provisions applicable and to cancel such an appointment; (v) the appointment and dismissal of the financial auditor and setting the minimum duration of the financial audit agreement; (vi) setting the level of the remuneration of the members of the Board of Nominees, the Fund Manager and Sole Director and of the financial auditor for financial audit services for the ongoing fiscal year; (vii) ruling over the management conducted by the Sole Director and to evaluate the performance of the Sole Director and grants discharge from the management carried out by the Sole Director; (viii) deciding on the promotion of legal action against the Sole Director or, as the case may be, against the financial auditor for damages caused to Fund; (ix) approving the strategies and the development policies of the Fund; (x) establishing the annual income and expenditure budget for the following financial year;

(xi) deciding regarding the pledge, lease or the creation of the movable securities or mortgages on the assets of the Fund; (xii) deciding on any other aspects regarding the Fund, according to the legal duties.

The main decisions that may be passed by an EGMS include the following: (i) setting-up or closing of some secondary units (branches, agencies, representative offices or other such units with no legal personality); (ii) increasing share capital; (iii) decreasing share capital or completion thereof by issuing new shares; (iv) converting shares from one category to another category; (v) converting a category of bonds to another category or to shares; (vi) issuing new bonds; (vii) approving an admission to trading and determining the regulated market on which the shares of the Fund shall be traded; (viii) executing any agreement/document which creates binding obligations on the Fund including, but not limited to, agreements for purchase, sale or exchange or creation of encumbrances of the non-current assets of the Fund whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables; (ix) changing the management system of the Fund; (x) limiting or cancelling the preference rights of the shareholders; (xi) approving the Investment Policy Statement; (xii) approving any other amendment of the Articles of Association or any other resolution requiring the approval of the EGMS, according to applicable law or the Articles of Association.

Calling of the general meetings of shareholders of the Fund

General meetings of shareholders are called by the Sole Director whenever required. However, an OGMS must be convened at least once a year, within 4 months from the end of the financial year. The general meetings of shareholders shall be convened in compliance with applicable law and in accordance with the Articles of Association. Notices of general meetings shall be published in the Official Gazette of Romania, Part IV, and in a national daily newspaper or in a local newspaper largely read in the locality where the registered office is located, as well as on the webpage of the Fund and on the webpage of the regulated market where the Fund is listed (the Bucharest Stock Exchange). The date of general meetings may not be less than 30 days from the publication of the notice in the Official Gazette of Romania, Part IV, and in the abovementioned newspapers.

Prior to giving notice of general meetings of shareholders, the Sole Director shall communicate to the Board of Nominees the intention to call a general meeting of shareholders and shall include on the agenda all matters requested by the Board of Nominees.

The Board of Nominees is entitled to request the Sole Director to call a general meeting of shareholders. If the Sole Director does not comply with a written request of the Board of Nominees within five working days from receiving the request, the Board of Nominees may call a general meeting of shareholders alone. Also, when the Board of Nominees fails to convene for three consecutive meetings, the Chairman of the Board of Nominees may ask the Sole Director to convene a general meeting of shareholders in compliance with the Articles of Association.

The notice of a general meeting, any other matter added to the agenda at the request of the shareholders or the Board of Nominees, the annual financial statements, the annual report of the Sole Director, the report of the Board of Nominees as well as any proposal to distribute dividends shall be made available to the shareholders at the headquarters of the Fund from the date of the notice of the general meeting. These documents are also published on the internet page for free access by the Fund's shareholders.

The notice of general meeting shall include the place, hour and date of the general meeting, as well as the agenda, expressly mentioning all matters that will be subject to debate. If the agenda includes proposals to amend the Fund's constitution, the notice shall include the full text of the proposals. If the agenda includes the appointment of a member of the Board of Nominees, the notice shall refer shareholders to information regarding the name, residence and professional training of the persons proposed as members of the Board of Nominees. The notice may include also the day and hour of any second meeting, having the same agenda as the first, in order to cover the situation in which the first meeting cannot take place if the quorum is not met. The notice will include other elements as necessary in accordance with applicable law.

General meetings shall be held at the headquarters of the Fund or in another place indicated in the notice.

The Sole Director has called the OGMS and EGMS for 27 April 2015 to approve *inter alia* the following: the annual activity report of the Sole Director for the financial year 2014, including the financial statements for the year ended on 31 December 2014 prepared in accordance with the Accounting

Regulation; the net profit allocation for the financial year 2014; the revised secondary listing budget; and respectively the decrease of the subscribed share capital of the Fund from RON 10,965,850,800.30 to RON 10,074,080,745.90, pursuant to the cancellation of 990,855,616 own shares acquired by the Fund; the authorisation of the Fund Manager to buy-back shares or GDRs in compliance with the applicable law, for a maximum number of (i) 891,770,055 shares or equivalent GDRs or (ii) 10% of the issued share capital at the relevant time; the amended Investment Policy Statement; the ratification and the approval of all EGMS resolutions.

Quorum and majority requirements

The quorum for the first meeting of an OGMS shall be at least one quarter of the total number of shares with voting rights. The decisions of the OGMS are passed with a majority of the votes expressed. If the quorum conditions are not met, the OGMS shall convene for a second time and shall discuss the agenda of the first meeting, irrespective of the quorum. Decisions are validly adopted with the majority of expressed votes.

The quorum for the first meeting of an EGMS is at least one quarter of the total number of shares with voting rights. Decisions are validly passed with the majority of votes held by the shareholders attending the meeting in person or via proxy. If the quorum conditions are not met upon the first meeting of the EGMS, the quorum for second meeting of the EGMS can debate the agenda in the presence of at least one fifth of the total number of shares having voting rights. Decisions are validly adopted with the majority of expressed votes.

The Articles of Association provide for specific quorum requirements of shareholders representing at least 50% of the voting rights for the adoption of decisions concerning increases in share capital and dissolution of the Fund, for both the first and the second meeting of an EGMS. Similarly, the Articles of Association provide for specific quorum requirements for debating the decrease of share capital consisting of shareholders representing at least one fourth of the voting rights at the first meeting and of at least one fifth of the voting rights on the second meeting. The quorum requirements for debating decreases of the share capital are lower than the requirements established in Law 247/2005 and at the same level as the quorum requirements established in Law 247/2005 for debating increases in share capital and the dissolution of the Fund. The derogation was made possible by Law 247/2005, which enabled the Fund's shareholders to lower the quorum requirements once the stake held by the Romanian State in the Fund becomes lower than 33%.

An EGMS may validly adopt decisions to amend the main business object of the Fund, to decrease or increase the share capital, to change the legal form, to merge, de-merge or dissolve, with a majority of at least two thirds of the voting rights expressed by the shareholders attending the meeting in person or via proxy.

Attending and voting in the general meetings of shareholders of the Fund

All the shareholders of the Fund registered at the reference date specified in the notice of a general meeting are entitled to attend and vote in such general meeting of shareholders.

In order to be able to participate in general meetings of shareholders, especially given the large number of shareholders of the Fund, the Articles of Association provide that shareholders may participate (i) in person, (ii) via proxy having a special power of attorney (subject to rules on conflicts of interest) or (iii) by correspondence or using electronic means. The procedure and forms for the power of attorney, correspondence and electronic voting are established by the Sole Director in accordance with applicable law and made available to the shareholders on the Fund's webpage at the latest on the date of publication of the notice of the general meeting, and in any case not later than 30 days before the date of the meeting. The Sole Director will ensure that this requirement is also observed when the general meeting is called by or at the initiative of the Board of Nominees.

The Articles of Association further provide that, for the purpose of calculating the quorum for a general meeting of shareholders, votes expressed validly via correspondence shall be considered. The due date for sending votes via correspondence and the relevant procedure shall be included in the notice of the general meeting of shareholders. The deadline for registration of the votes sent through correspondence shall be specified in the notice on a date not earlier than five working days after the date of publication of the informative material in respect of the general meeting of shareholders and not later than 48 hours before the date of the first meeting. Votes cast through correspondence or using electronic means must determine in a clear and precise manner the content of the vote cast in respect of the items on the agenda of the meeting. Votes transmitted electronically or by correspondence shall be cancelled if they do not observe the procedures set by the Sole Director; cancelled votes are not taken into consideration for the quorum of the meeting.

Shareholders without capacity to exercise their rights and legal entities may be represented by their legal representatives who may further grant powers of attorney to other representatives.

The Articles of Association provide that voting in the general meetings of shareholders is open. Secret voting is compulsory for electing and revoking the Sole Director, the members of the Board of Nominees, the financial auditors and for taking some measures/decisions regarding the liability of the Sole Director or of the members of the Board of Nominees and of the financial auditors of the Fund. The procedure on secret voting must be approved by the Sole Director in relation to each general meeting of shareholders where it is used. The secret voting procedure must be made public on the Fund's webpage, the latest on the date when the convening notice for the relevant general meetings of shareholders is published.

RELATED PARTY TRANSACTIONS

The following is a summary of transactions with related parties as defined in IAS 24 "Related Parties Disclosure", in accordance with IFRS. For further details of these transactions, as of 31 December 2014, 2013 and 2012, see Note 20, Note 21 and Note 24 respectively, of the related Audited Financial Statements.

Related parties agreements

Key management

Remuneration	Year		
	2014	**2013**	**2012**
		(*RON*)	
Members of the Board of Nominees	900,000	779,052	523,507

There were no loans to or other transactions between the Fund and the members of the Board of Nominees in 2014, 2013 or 2012.

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 as follows:

Transaction	Year		
	2014	**2013**	**2012**
		(*RON*)	
Investment management and administration fees	56,479,028	45,273,318	34,325,088
Rental expense	86,289	104,237	105,276
Operating cost	22,951	28,894	28,188

During 2014 the Fund recorded also an amount of RON 2,986,573 representing expenses incurred by the Fund Manager on its behalf (as compared to 2013 where the amount of such expenses was RON 1,754,236 and for 2012, where amount was of RON 1,012,597). The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominees approval.

As at 31 December 2014, the Fund owed an amount of RON 17,189,421 to the Fund Manager (as compared to 31 December 2012 were the amount of such expenses was RON 14,019,201 and for 31 December 2012, the amount of RON 9,146,226).

There are no other elements of compensation for key management.

Subsidiaries

During the 2014, 2013 and 2012, the Fund did not carry out any transaction with its subsidiaries, except that (1) in January 2014, Primcom SA performed a capital return to its shareholders following the decrease of its share capital by reducing the nominal value of the shares from RON 2.5 to RON 0.1 (the amount received by the Fund was RON 3,748,754.40); (2) in June 2014, the Fund sold part of its holding in Primcom SA in a buyback programme carried out by this company (the amount received by the Fund was RON 4,043,790) and (3) during 2013, the Fund recorded and received a dividend of RON 24,392 from Alcom SA.

Ownership Interest	As at 31 December		
	2014	**2013**	**2012**
Alcom SA	71.89%	71.89%	71.89%
Comsig SA	69.94%	69.94%	69.94%
Primcom SA	68.97%	75.48%	75.48%
Zirom SA	100.00%	100.00%	100.00%
Carom Broker de Asigurare SA *	-	-	70.00%
Telerom Proiect SA *	-	-	68.63%

** In 2013, the Fund sold its entire holding in Carom Broker de Asigurare SA and Telerom Proiect SA*

Associates

As at 31 December 2014, the Fund has three associates (31 December 2013 and 2012: one associate), all of them incorporated in Romania:

	As at 31 December		
Ownership Interest	**2014**	**2013**	**2012**
OMV Petrom SA	18.99%	18.99%	20.10%
Societatea Natioanala a Sarii (Salrom) SA	48.99%	not an associate	not an associate
Plafar SA	48.99%	not an associate	not an associate

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

As at 31 December 2014, the Fund recorded and received for 2014, 2013 and 2012 dividends amounting to:

	As at 31 December		
Gross Dividend Income	**2014**	**2013**	**2012**
		(RON)	
OMV Petrom SA	331,366,364	318,951,645	353,125,036
Societatea Natioanala a Sarii (Salrom) SA	19,808,540	not an associate	not an associate
Plafar SA	-	not an associate	not an associate

	As at 31 December		
Dividend Received	**2014**	**2013**	**2012**
		(RON)	
OMV Petrom SA	331,366,364	318,951,645	353,125,036
Societatea Natioanala a Sarii (Salrom) SA	19,808,540	not an associate	not an associate
Plafar SA	-	not an associate	not an associate

MATERIAL CONTRACTS

The following selected contracts have been entered into by the Fund and are, or may be, material or contain provisions under which the Fund has an obligation or entitlement which is, or may be, material to the Fund as of the date of this Prospectus. The following selected contracts are not intended to represent all of the material contracts of the Fund.

Contracts with service providers

Investment Management Agreement

Overview

The Fund Manager, which is regulated in the United Kingdom by the Financial Conduct Authority, has been retained by the Fund as its sole director and discretionary investment manager through the Investment Management Agreement effective for a two-year term as of 30 September 2014.

Responsibilities

Under the Investment Management Agreement, the Fund Manager undertakes the obligations detailed in the Section "*Corporate Management System—Sole Director—Responsibilities of the Sole Director under the Articles of Association*".

In the performance of its responsibilities, the Fund Manager agrees to observe the applicable laws and regulations, including the handbook of rules and guidance made by the Financial Conduct Authority, to the extent they are relevant for the management of the Fund, as well as the best interest of the Fund and the highest standards of professional conduct and integrity, being understood that the Fund Manager is acting for the Fund on a non-exclusive basis.

Performance objectives

The Fund Manager shall pursue on an uncommitted basis the performance objectives described in the Section "*Investment Policy and Objectives—Performance objectives*". Starting with October 2015, the Fund's shareholders will convene yearly in October of each year to evaluate the annual performance of the Fund Manager and to decide on whether to continue or to terminate the mandate of the Fund Manager and appoint another investment company.

Fees

The Fund Manager is entitled to fees for the services provided under the Investment Management Agreement consisting of a base fee (the "**Base Fee**") and a distribution fee (the "**Distribution Fee**").

Starting 30 September 2014, the Base Fee is equal to (a) the Base Fee rate (b) multiplied by the notional amount (c) multiplied by the number of calendar days of payment and (d) divided by 365, where: (i) the Base Fee rate = 60 basis points per year; (ii) 1 basis point = 0.0001; and (iii) the notional amount is the market capitalisation of the Fund which is defined as the number of the Fund's paid Shares, minus the weighted average number of the Fund's settled own Shares held in treasury over the calculation period, then multiplied by the weighted average market price of the Fund's Shares calculated for the corresponding quarter. The weighted average market price is computed based on the daily average market prices of the Fund's Shares and corresponding daily volumes, as published by the Bucharest Stock Exchange in respect of its Regular Section (the order-driven main section of the regulated market operated by the Bucharest Stock Exchange, where shares are traded based on standard lots, while determining the shares' reference price). If the number of Shares relevant for the computation of the Base Fee changes over the calculation period, the Base Fee will be an aggregation of the computations for each sub-period.

The Fund Manager is additionally entitled to a Distribution Fee in consideration of the distributions made to the Fund's shareholders that are arranged by the Fund Manager. The Distribution Fee is computed as (i) 200 basis points of the total non-dividend distributions (including, without limitation, repurchases of own shares and returns of share capital) made available until 31 October 2015; and (ii) 100 basis points of the total non-dividend distributions (including, without limitation, repurchases of own shares and returns of share capital) made available from and including 1 November 2015. The Fund Manager will compute the

Distribution Fee as at the moment when the distributions are available to shareholders, which, in the case of repurchases of own shares, shall be deemed the moment when the own shares repurchase transactions are settled. The Distribution Fee is payable for all the amounts distributed to the shareholders starting 20 March 2015.

The Fund will pay the Base Fee and the Distribution Fee to the Fund Manager quarterly, based on the invoices to be issued by the Fund Manager within 20 business days following the end of the quarter for which payment is made (in the case of the Base Fee) and, respectively, in which the relevant date for the calculation of the distributions to shareholders occurred. The Fund Manager submits its invoices for the Base Fee and the Distribution Fee to the Custodian, which will pay the invoiced amounts only after verifying and certifying the correctness of the calculation of the notional amount, value of distributions and of the calculation of the fee. Payment is due within 30 business days after receipt of the invoice by the Custodian.

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

Expenses

The Fund will pay or will refund to the Fund Manager the following expenses incurred in the performance of the Investment Management Agreement: (i) Custodian fees (including fees for the shareholder's registry duties); (ii) intermediaries' fees; (iii) taxes and fees paid to the FSA or other public authorities; (iv) fees and expenses related to the Fund's financial audit and to other audits or valuations of the Fund; (v) fees and expenses related to the admission and maintenance to trading of the Fund's Shares, including expenses in connection with investors' public relations or Fund reporting and transparency obligations or fees paid to the Bucharest Stock Exchange or other exchanges where the Fund's instruments may be admitted to trading; (vi) expenses incurred with the holding of the general meetings of shareholders of the fund; (vii) expenses paid to the relevant trade registry offices; (viii) bank commissions; (ix) fees incurred with legal advisors or other advisors appointed to act on behalf of the Fund; (x) fees incurred with certain third party services providers; (xi) fees incurred with the remuneration, transport and accommodation of the members of the Board of Nominees in connection with their activity and of the Fund's representatives in the corporate bodies of companies within the Fund's portfolio; (xi) printing expenses; (xii) expenses or taxes imposed to the Fund by tax authorities in connection with any fees or expenses paid by the Fund or otherwise incident in the course of business of the Fund; (xii) other expenses related to the business of the Fund amounting up to EUR 100,000 per year or as per the approval of the Board of Nominees.

Unless otherwise provided in the Investment Management Agreement, the Fund Manager will incur all the costs and expenses occasioned by the performance of its duties. The Fund Manager will pay the current expenses incurred in the performance of the Investment Management Agreement, including without limitation: (i) correspondence and telephone communication expenses, except for communications to the Fund's shareholders; (ii) expenses in connection with business travel and accommodation, except for expenses related to investors relations activities and meetings of the Board of Nominees; (iii) expenses incurred with salaries, bonuses and other remunerations granted to the employees and service providers of the Fund Manager; (iv) other expenses incurred for the functioning of the Fund Manager or of its Romanian branch.

Amendment and termination

The parties may amend the Investment Management Agreement in writing, the entry into force of such amendments being subject to the approval of the Fund's OGMS and to the subsequent endorsement of the amendments by the FSA.

The Fund may terminate the Investment Management Agreement unilaterally, observing a three-month prior notice sent to the Fund Manager, based on an OGMS resolution. The Fund Manager will not be entitled to any indemnities for such termination other than its standard fees. The Fund Manager may at its turn terminate the Investment Management Agreement unilaterally, observing a six-month prior written notice and with the requirement to call the OGMS of the Fund to approve the procedure for the appointment of a new sole director and fund manager for the Fund. The Fund Manager may also terminate the Investment Management Agreement with a reasonable prior notice upon dissolution of the

Fund or if the ability of the Fund Manager to carry out its responsibilities under the Investment Management Agreement is impaired as a result of legal or regulatory changes.

In case of termination of the mandate, the Fund Manager will carry out its activity until a new investment company is appointed by the Fund in accordance with the terms of the Investment Management Agreement. This period may not extend beyond 12 months after the date when the termination notice is served.

The Investment Management Agreement will terminate automatically in case of fraud, negligence or wilful default of the Fund Manager or of a material breach of its undertakings, which is not remedied within 10 business days after receipt of a notification from the Fund.

The Fund may terminate the mandate of the Fund Manager in case of force majeure affecting the ability of the Fund Manager to perform the Investment Management Agreement.

Liability of the Fund Manager

The Fund Manager is liable for any damages produced to the Fund as a result of the breach of the applicable legislation or regulations, fraud, wilful default, negligence or material breach of the Investment Management Agreement. The Fund Manager will be liable also for the acts of its employees or delegates. However, the Fund Manager will not be liable for the actions of the intermediaries used for the trades made on behalf of the Fund, except to the extent that the Fund Manager has acted with negligence in selecting, contacting, monitoring or using such persons. The Fund Manager must maintain in place adequate professional liability insurance and a fidelity bond for failures to account to the Fund for moneys or investments.

The Fund Manager agrees to indemnify the Fund, its officers, employees, agents and representatives from and against liabilities incurred in connection with the Investment Management Agreement, including in the course of litigations, claims, challenges, legal proceeding or other similar procedures, which are caused by wilful default of the Fund Manager or its delegates or employees, breach of representations, warranties and obligations under the Investment Management Agreement or of the Fund's investment policy rules or of the Fund Manager's fiduciary duties. At its turn, the Fund will indemnify and hold the Fund Manager harmless from and against damages incurred by the Fund Manager as a result of implementing the instructions received from the Fund (including from the Board of Nominees).

Neither the Fund nor the Fund Manager will be liable for the performance of obligations under the Investment Management Agreement upon force majeure.

Applicable law and choice of jurisdiction

The Investment Management Agreement is governed by Romanian law. Disputes under the Investment Management Agreement, if not solved amiably, will be submitted to the Paris Court of Arbitration under its Rules of Arbitration.

Depositary/Custody Agreement

Overview

The Fund has appointed the BRD Groupe Societe Generale S.A. to hold and / or transfer the Fund's assets as its depositary and custodian and to certify the Fund's month-end NAV and the computation of the Fund Manager's fees through a depositary and custody agreement (the "**Depositary Agreement**") which entered into force on 27 November 2013 for a three-year term.

Responsibilities of the Custodian

(i) safeguarding the Fund's assets (except for the monetary investments, the securities not admitted for trading, the real estate assets and accounting assets) or the documents attesting the custody of such assets, except for those assets and documents held by sub-depositories to whom the depository has entrusted the depository activity or who have been appointed as such by the Fund or by the FSA;

(ii) keeping in custody the Fund's assets, separately from the Custodian's assets or other assets of the Custodian's customers. The Custodian has the obligation not transfer, pledge, or dispose of the Fund's assets for covering or reimbursing any of the Custodian's obligations or of third parties' obligations, except otherwise instructed by the Fund. The Fund's assets cannot be subject of enforcement procedures initiated by the Custodian's creditors, cannot be subject of seizure or garnishment of any kind, and will not be part of the creditors' table in case of bankruptcy of the Custodian.

(iii) settlement of the transactions with financial instruments or participation interests of the Fund;

(iv) collection of the interests and other income related to the Fund's assets and deposited financial instruments and exercise of the rights conferred by such assets and instruments;

(v) certifying the existence and the value of the net assets, the unit value of the net assets;

(vi) payment of the equivalent value of the financial instruments or participation interests purchased by the Fund and of all the financial duties, including the payment of interests, taxes, fees and other operational costs of the Fund;

(vii) validation and certification of the calculation of the Fund Manager management and administration fees;

(viii) provision of proxy voting services (in Romania and abroad, where applicable and according to the conditions and legislation of the respective countries) upon the request and according to the instructions of the Fund Manager;

(ix) recording of investments and record keeping;

(x) execution of payments from the Fund's cash account and transfer of financial instruments from the securities account of the Fund upon receiving proper instructions from the Fund.

Fees

The Custodian is entitled to the following fees: (a) a percentage applied to the month-end NAV for monthly official NAV certification and certification of the Fund Manager's fees, (b) a percentage applied to the value of the assets under custody as at the month-end for the custody of assets (which varies depending on the market the assets are listed on) and (c) a flat fee for settlement of portfolio trades.

The fees must be paid monthly, within 10 business days from the date of receipt of the invoice by the Fund from the Custodian.

In 2014, the aggregate amount of the fees incurred by the Fund for the services provided by the Custodian was of RON 1,767,065.

Delegated custody arrangements

Under the Depositary Agreement, the Custodian may transfer the assets and/or custody activities in connection with the Fund's investments to one or more authorized third parties (which may include branches, offices, subsidiaries or affiliates) and the Custodian will be held liable for all the acts and omissions of such sub-custodians as if they were its own. At the date of this Prospectus, the Fund does not hold in custody any financial instruments traded and held on external markets. Current holdings are local, on the Bucharest Stock Exchange and Settlement and Financial Instruments Registration (SaFIR) System administered by the NBR, where BRD is a participant to these market operators and access is not made through a sub-custodian.

Termination

The Depositary Agreement shall cease in the following situations:

(a) by unilateral termination by the Custodian or the Fund, with a prior written notice of at least 90 calendar days. Within such 90 calendar days term, the Fund is obliged to conclude a new depository agreement with a third party depository;

(b) by mutual agreement of the Fund and the Custodian;

(c) in case the FSA, or NBR, or other competent authority withdraws the operating authorization of either party required to perform their obligations under the Depositary Agreement;

(d) if NBR initiates any surveillance or special administration procedures against the Custodian or the bankruptcy proceedings has started against the Custodian;

Applicable law and choice of jurisdiction

The Depositary Agreement is governed by Romanian law. Any action or legal proceedings deriving from or related to this agreement shall be settled by the competent courts.

Other entities with depository functions

The Fund has the legal ability to invest the available cash in term deposits with banks under the limitation that the amount of bank deposits with the same credit institution cannot represent more than 10% of the Fund's assets (see Section "*Investment Policy and Objectives—Investment restrictions*"). Term deposits may induce to the Fund a credit risk consisting in a risk of financial loss for the Fund if the bank where the term deposit is opened fails to meet its contractual obligations arising from the terms of the deposit. In order to manage this risk, the Fund Manager has implemented a formal policy on bank counterparty risks and limits. The Fund only establishes new bank deposits where the financial institution or its parent has a credit rating above investment grade (BBB- or higher). The selection of financial institutions as deposit takers is made and the exposure limits are decided upon based on their credit ratings. The Fund further diversifies counterparty credit risk by allocating cash and cash equivalents across several banks.

Other material contracts

As at the date of this Prospectus, the Fund has no material contracts (not being contracts entered into in the ordinary course of business) in place. The GDR Deposit Agreement between the Fund and the GDR Depositary will be dated on or around 27 April 2015 (see "*Terms and Conditions of the Global Depositary Receipts*").

TERMS AND CONDITIONS OF THE GLOBAL DEPOSITARY RECEIPTS

The following terms and conditions (subject to completion and amendment and excepting sentences in italics) will apply to the Global Depositary Receipts, and will be endorsed on each Global Depositary Receipt certificate:

The Regulation S Global Depositary Receipts ("**GDRs**") represented by this certificate are issued in respect of ordinary shares (the "**Shares**") in Fondul Proprietatea S.A. (the "**Fund**") pursuant to and subject to an agreement dated on or around 27 April 2015, and made between the Fund and The Bank of New York Mellon in its capacity as depositary (the "**GDR Depositary**") for the "Regulation S Facility" (such agreement, as amended from time to time, being hereinafter referred to as the "**GDR Deposit Agreement**"). Pursuant to the provisions of the GDR Deposit Agreement, the GDR Depositary has appointed Raiffeisen Bank S.A. as Custodian (the "**GDR Custodian**") to receive and hold on its behalf any relevant documentation respecting certain Shares (the "**Deposited Shares**") and all rights, interests and other securities, property and cash deposited with the GDR Custodian which are attributable to the Deposited Shares (together with the Deposited Shares, the "**Deposited Property**"). The GDR Depositary shall hold Deposited Property for the benefit of the GDR Holders (as defined below) as bare trustee (other than any cash comprised in the Deposited Property which is held as banker pursuant to Condition 26) in proportion to their holdings of GDRs. In these terms and conditions (the "**Conditions**"), references to the "**GDR Depositary**" are to The Bank of New York Mellon and/or any other depositary which may from time to time be appointed under the GDR Deposit Agreement, references to the "**GDR Custodian**" are to Raiffeisen Bank S.A. or any other custodian from time to time appointed under the GDR Deposit Agreement and references to the "**Main Office**" mean, in relation to the relevant GDR Custodian, its head office in the city of Bucharest or such other location of the head office of the GDR Custodian in Romania as may be designated by the GDR Custodian with the approval of the GDR Depositary (if outside the city of Bucharest) or the head office of any other custodian from time to time appointed under the GDR Deposit Agreement.

The GDRs will upon issue be represented by interests in a Regulation S Master GDR, (as such term is defined in the GDR Deposit Agreement). The GDRs are exchangeable in the circumstances set out in "Summary of the provisions relating to the Global Depositary Receipts whilst in Master Form" for a certificate in definitive registered form in respect of GDRs representing all or part of the interest of the holder in the Master GDR.

References in these Conditions to the "GDR Holder" of any GDR shall mean the person or persons registered on the books of the GDR Depositary maintained for such purpose (the "**Register**") as holder. These Conditions include summaries of, and are subject to, the detailed provisions of the GDR Deposit Agreement, which includes the forms of the certificates in respect of the GDRs. Copies of the GDR Deposit Agreement are available for inspection at the specified office of the GDR Depositary and each Agent (as defined in Condition 17) and at the Main Office of the GDR Custodian. Terms used in these Conditions and not defined herein but which are defined in the GDR Deposit Agreement have the meanings ascribed to them in the GDR Deposit Agreement. **GDR Holders are not party to the GDR Deposit Agreement and thus, under English Law, have no contractual rights against, or obligations to, the Fund or GDR Depositary. However, the Deed Poll executed by the Fund in favour of the GDR Holders provides that, if the Fund fails to perform the obligations imposed on it by certain specified provisions of the GDR Deposit Agreement, any GDR Holder may enforce the relevant provisions of the GDR Deposit Agreement as if it were a party to the GDR Deposit Agreement and was the "GDR Depositary" in respect of that number of Deposited Shares to which the GDRs of which he is the GDR Holder relate. The GDR Depositary is under no duty to enforce any of the provisions of the GDR Deposit Agreement on behalf of any GDR Holder of a GDR or any other person.**

1. **Withdrawal of Deposited Property and Further Issues of GDRs**

Any GDR Holder may request withdrawal of, and the GDR Depositary shall thereupon relinquish, the Deposited Property attributable to any GDR upon production of such evidence of the entitlement of the GDR Holder to the relative GDR as the GDR Depositary may reasonably require, at the specified office of the GDR Depositary or any Agent accompanied by:

(a) a duly executed order (in a form approved by the GDR Depositary) requesting the GDR Depositary to cause the Deposited Property being withdrawn to be delivered at the

Main Office of the GDR Custodian, or (at the request, risk and expense of the GDR Holder, and only if permitted by applicable law from time to time) at the specified office located in New York, London or Romania of the GDR Depositary or any Agent, or to the order in writing of, the person or persons designated in such order;

(b) the payment of such fees, taxes, duties, charges, costs, expenses and governmental charges as may be required under these Conditions or the GDR Deposit Agreement;

(c) the surrender (if appropriate) of GDR certificates in definitive registered form properly endorsed in blank or accompanied by proper instruments of transfer satisfactory to the GDR Depositary to which the Deposited Property being withdrawn is attributable; and

(d) the delivery to the GDR Depositary of a duly executed and completed certificate substantially in the form set out in Part B of Schedule 3 to the GDR Deposit Agreement (or as amended by the GDR Depositary in accordance with Clause 3.10 of the GDR Deposit Agreement and Condition 1.8).

The certificate to be provided in the form of Part B of Schedule 3 to the GDR Deposit Agreement certifies, among other things, that the person providing such certificate is located outside the United States and is not a U.S. person, and acquired the GDRs outside the United States in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

1.2 Upon production of such documentation and the making of such payment as aforesaid for withdrawal of the Deposited Property in accordance with Condition 1.1, the GDR Depositary will direct the GDR Custodian, by tested telex, facsimile or SWIFT message, within a reasonable time after receiving such direction from such GDR Holder, to deliver at its Main Office to, or to the order in writing of, the person or persons designated in the accompanying order , subject to all applicable laws and regulations:

(a) evidence of a book-entry transfer in respect of the relevant Deposited Shares, registered as directed by the withdrawing GDR Holder; and

(b) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof; **provided however that** the GDR Depositary may make delivery at its specified office in New York of any Deposited Property which is in the form of cash;

PROVIDED THAT the GDR Depositary (at the request, risk and expense of any GDR Holder so surrendering a GDR):

(i) will direct the GDR Custodian to deliver the certificates for, or other instruments of title to, or book-entry transfer in respect of, the relevant Deposited Shares and any document relative thereto and any other documents referred to in sub-paragraphs 1.2(a) and (b) of this Condition (together with any other property forming part of the Deposited Property which may be held by the GDR Custodian or its agent and is attributable to such Deposited Shares); and/or

(ii) will deliver any other property forming part of the Deposited Property which may be held by the GDR Depositary and is attributable to such GDR (accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof);

in each case to the specified office located in New York or London of the GDR Depositary (if permitted by applicable law from time to time) or at the specified office in Romania of any Agent as designated by the surrendering GDR Holder in the order accompanying such GDR.

1.3 Delivery by the GDR Depositary, any Agent and the GDR Custodian of all certificates, instruments, dividends, distributions in cash or other property forming part of the Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.

1.4 The GDR Depositary may, in accordance with the terms of the GDR Deposit Agreement and upon delivery of a duly executed order (in a form reasonably approved by the GDR Depositary) and a duly executed certificate substantially in the form of Part A of Schedule 3 to the GDR Deposit Agreement *(which is described in the following paragraph)* (or as amended by the GDR Depositary in accordance with Clause 3.10 of the GDR Deposit Agreement and Condition 1.8) by or on behalf of any investor who is to become the beneficial owner of the GDRs from time to time execute and deliver further GDRs having the same terms and conditions as the GDRs which are then outstanding in all respects (or the same in all respects except for the first dividend payment or other distribution in cash on the Shares represented by such further GDRs) and, subject to the terms of the GDR Deposit Agreement, the GDR Depositary shall accept for deposit any further Shares in connection therewith, so that such further GDRs shall form a single series with the already outstanding GDRs. References in these Conditions to the GDRs include (unless the context requires otherwise) any further GDRs issued pursuant to this Condition and forming a single series with the already outstanding GDRs.

The certificate to be provided in the form of Part A of Schedule 3 to the GDR Deposit Agreement certifies, among other things, that the person providing such certificate is located outside the United States and is not a U.S. person, and acquired the Shares outside the United States in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act and will comply with the restrictions on transfer set forth under "Selling and Transfer Restrictions".

1.5 Any further GDRs issued pursuant to Condition 1.4 which (i) represent Shares which have rights (whether dividend rights or otherwise) which are different from the rights attaching to the Shares represented by the outstanding GDRs, or (ii) are otherwise not fungible (or are to be treated as not fungible) with the outstanding GDRs, will be represented by a GDR certificate in definitive form or a separate temporary Master GDR. Upon becoming fungible with outstanding GDRs, such further GDRs shall be evidenced by a GDR (by increasing the total number of GDRs evidenced by the Master GDR by the number of such further GDRs, as applicable).

1.6 The GDR Depositary may issue GDRs against rights to receive Shares from the Fund (or any agent of the Fund recording Share ownership). No such issue of GDRs will be deemed a "Pre-Release" as defined in Condition 1.7.

1.7 The provisions of Condition 1.6 and the following provisions of this Condition 1.7 shall only apply to the extent a written opinion of Romanian counsel in form and substance reasonably acceptable to both the GDR Depositary and the Fund is received by the GDR Depositary confirming that the transactions described therein are permissible under Romanian law.

The GDR Depositary may execute and deliver GDRs or issue interests in the Master GDR, as the case may be, prior to the receipt of Shares (a "**Pre-Release**"). The GDR Depositary may, pursuant to Condition 1.1, deliver Shares upon the receipt and cancellation of GDRs, which have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the GDR Depositary knows that such GDR has been Pre-Released. The GDR Depositary may receive GDRs in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation and agreement from the person to whom GDRs or Deposited Property are to be delivered (the "**Pre-Releasee**") that such person, or its customer, (i) owns or represents the owner of the corresponding Deposited Property or GDRs to be remitted (as the case may be), (ii) assigns all beneficial right, title and interest in such Deposited Property or GDRs (as the case may be) to the GDR Depositary in its capacity as such and for the benefit of the GDR Holders, and (iii) will not take any action with respect to such GDRs or Deposited Property (as the case may be) that is inconsistent with the transfer of beneficial ownership (including without the consent of the GDR Depositary, disposing of such GDRs or Deposited Property, as the case may be), other than in satisfaction of such Pre-Release, (b) at all times fully collateralised with cash or such other collateral as the GDR Depositary determines in good faith will provide substantially similar liquidity and security, (c) terminable by the GDR Depositary on not more than five (5) business days' notice, and (d) subject to such further indemnities and credit regulations as the GDR Depositary deems appropriate. The number of GDRs which are outstanding at any time as a result of Pre-Release will not normally represent more than thirty per cent. of the total number of GDRs then outstanding; **provided**, **however**, **that** the GDR Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate and may, with the prior written consent of the Fund, change such limit for the purpose of general application. The GDR Depositary will also set dollar limits with respect to Pre-Release transactions hereunder with any particular Pre-Releasee on a case by case basis as the GDR Depositary deems appropriate. The collateral referred to in sub-paragraph (b) above shall be held by the GDR Depositary as security for the performance of the Pre-Releasee's obligations in connection herewith, including the Pre-Releasee's obligation to deliver Shares and/or other securities or GDRs upon termination of a Pre-Release transaction anticipated hereunder (and shall not, for the avoidance of doubt, constitute Deposited Property hereunder).

The GDR Depositary may retain for its own account any compensation received by it in connection with the foregoing including, without limitation, earnings on the collateral.

The person to whom any Pre-Release of GDRs or Shares is to be made pursuant to this paragraph shall be required to deliver to the GDR Depositary a duly executed and completed certificate substantially in the form set out in Part A of Schedule 3 to the GDR Deposit Agreement (or as amended by the GDR Depositary in accordance with Clause 3.10 of the GDR Deposit Agreement and Condition 1.8).

1.8 The GDR Depositary may make such amendments to the certificates contained in the Schedule 3 to the GDR Deposit Agreement as it may reasonably determine are required in order for the GDR Depositary to perform its duties under the GDR Deposit Agreement, or to comply with any applicable law or with the rules and regulations of any securities exchange, market or automated quotation system upon which the GDRs may be listed or traded, or to comply with the rules or requirements of any book entry system by which the GDRs may be transferred, or to confirm compliance with any special limitations or restrictions to which any particular GDRs are subject.

1.9 In order to comply with any applicable laws and regulations, the GDR Depositary may from time to time request each GDR Holder to, and each GDR Holder shall upon receipt of such request, provide to the GDR Depositary information relating to: (a) the capacity in which such GDR Holder and/or any owner holds GDRs; (b) the identity of any owners of GDRs or other person or persons then or previously interested in such GDRs; (c) the nature of any such interests in the GDRs; and (d) any other matter where disclosure of such matter is required to enable compliance by the GDR Depositary with applicable laws or the constitutional documents of the Fund.

1.10 In order to comply with any applicable laws and regulations, the GDR Depositary may from time to time request Euroclear and Clearstream to provide the GDR Depositary with details of the accountholders within such settlement systems that hold interests in GDRs and the number of GDRs recorded in the account of each such accountholder, and each GDR Holder or owner of GDRs, or intermediary acting on behalf of such GDR Holder or owner, hereby authorises each of Euroclear and Clearstream to disclose such information to the GDR Depositary as issuer of the GDRs.

2. Suspension of Issue of GDRs and of Withdrawal of Deposited Property

The GDR Depositary shall be entitled, at its reasonable discretion, at such times as it shall determine, to suspend the issue or transfer of GDRs (and the deposit of Shares) generally or in respect of particular Shares. In particular, to the extent that it is in its reasonable opinion practicable for it to do so, the GDR Depositary will refuse to accept Shares for deposit, to execute and deliver GDRs or to register transfers of GDRs if it has been notified by the Fund in writing that the Deposited Shares or GDRs or any depositary receipts representing Shares are listed on a U.S. Securities Exchange or quoted on a U.S. automated inter dealer quotation system unless accompanied by evidence satisfactory to the GDR Depositary that any such Shares are eligible for resale pursuant to Rule 144A under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Further, the GDR Depositary may suspend the withdrawal of Deposited Property during any period when the Register, or the Romanian Central Depositary is closed or, generally or in one or more localities, suspend the withdrawal of Deposited Property or deposit of Shares if deemed necessary or desirable or advisable by the GDR Depositary in good faith at any time or from time to time, in order to comply with any applicable law or governmental or stock exchange regulations or any provision of the GDR Deposit Agreement or for any other reason. The GDR Depositary shall (unless otherwise notified by the Fund) restrict the withdrawal of Deposited Shares where the Fund notifies the GDR Depositary in writing that such withdrawal would result in ownership of Shares exceeding any limit under any applicable law, government resolution or the Fund's constitutive documents or would otherwise violate any applicable laws.

3. **Transfer and Ownership**

The GDRs are in registered form. Title to the GDRs passes by registration in the Register and accordingly, transfer of title to a GDR is effective only upon such registration. The GDR Depositary will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in violation of any applicable laws. The GDR Holder will (except as otherwise required by law) be treated by the GDR Depositary and the Fund as its beneficial owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or theft or loss of any certificate issued in respect of it) and no person will be liable for so treating the GDR Holder.

4. **Cash Distributions**

Whenever the Depositary shall receive from the Fund any cash dividend or other cash distribution on or in respect of the Deposited Shares (including any amounts received in the liquidation of the Fund) or otherwise in connection with the Deposited Property, the GDR Depositary shall as soon as practicable, convert the same into United States dollars in accordance with Condition 8. The GDR Depositary shall, if reasonably practicable in the opinion of the GDR Depositary, give notice to the GDR Holders of its receipt of such payment in accordance with Condition 23, specifying the amount per Deposited Share payable in respect of such dividend or distribution and the earliest date, determined by the GDR Depositary, for transmission of such payment to GDR Holders and shall as soon as practicable distribute any such amounts to the Holders in proportion to the number of Deposited Shares represented by the GDRs so held by them respectively, subject to and in accordance with the provisions of Conditions 9 and 11; **PROVIDED THAT**:

(a) in the event that the GDR Depositary is aware that any Deposited Shares are not entitled, by reason of the date of issue or transfer or otherwise, to such full proportionate amount, the amount so distributed to the relative GDR Holders shall be adjusted accordingly; and

(b) the GDR Depositary will distribute only such amounts of cash dividends and other distributions as may be distributed without attributing to any GDR a fraction of the lowest integral unit of currency in which the distribution is made by the GDR Depositary, and any balance remaining shall be retained by the GDR Depositary beneficially as an additional fee under Condition 16.1(d).

5. **Distributions of Shares**

Whenever the GDR Depositary shall receive from the Fund any distribution in respect of Deposited Shares which consists of a dividend, any other distribution in cash or free distribution of Shares, the GDR Depositary shall cause to be distributed to the GDR Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, additional GDRs representing an aggregate number of Shares received pursuant to such distribution. Such additional GDRs shall be distributed by an increase in the number of GDRs represented by the Master GDR or by an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the GDR Holders hold their GDRs; **PROVIDED THAT**, if and in so far as the GDR Depositary deems any such distribution to all or any GDR Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Fund, the GDR Custodian or the GDR Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the GDR Depositary shall subject to all applicable laws and regulations, (either by public or private sale and otherwise at its discretion) sell such Shares so received and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the GDR Holders entitled thereto.

6. **Distributions other than in Cash or Shares**

Whenever the GDR Depositary shall receive from the Fund any dividend, other distribution in cash or distribution in securities (other than Shares) or in other property (other than cash) on or in respect of the Deposited Property, the GDR Depositary shall distribute or cause to be distributed such securities or other property to the GDR Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, in any manner that the GDR Depositary may deem equitable and practicable for effecting such distribution; **PROVIDED THAT**, if and in so far as the GDR Depositary deems any such distribution to all or any GDR Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Fund, the GDR Custodian or the GDR Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the GDR Depositary shall deal with the securities or property so received, or any part thereof, in such way as the GDR Depositary may determine to be equitable and practicable, including, without limitation, by way of sale (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) and shall (in the case of a sale) distribute the resulting net proceeds as a cash distribution pursuant to Condition 4 to the GDR Holders entitled thereto.

7. **Rights Issues**

If and whenever the Fund announces its intention to make any offer or invitation to the holders of Shares to subscribe for or to acquire Shares, securities or other assets by way of rights, the GDR Depositary shall as soon as practicable give notice to the GDR Holders, in accordance with Condition 23, of such offer or invitation, specifying, if applicable, the earliest date established for acceptance thereof, the last date established for acceptance thereof and the manner by which and time during which GDR Holders may request the GDR Depositary to exercise such rights as provided below or, if such be the case, specifying details of how the GDR Depositary proposes to distribute the rights or the proceeds of any sale thereof. The GDR Depositary will deal with such rights in the manner described below:

(a) if and to the extent that the GDR Depositary shall, at its discretion, deem it to be lawful and reasonably practicable, the GDR Depositary shall make arrangements whereby the GDR Holders may, upon payment of the subscription price in Lei or other relevant currency together with such fees, taxes, duties, charges, costs and expenses as may be required under the GDR Deposit Agreement and completion of such undertakings, declarations, certifications and other documents as the GDR Depositary may reasonably require, request the GDR Depositary to exercise such rights on their behalf with respect to the Deposited Shares and to distribute the Shares, securities or other assets so subscribed or acquired to the GDR Holders entitled thereto by an increase in the numbers of GDRs represented by the Master GDR or an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the GDR Holders hold their GDRs; or

(b) if and to the extent that the GDR Depositary shall at its discretion, deem it to be lawful and reasonably practicable, the GDR Depositary will distribute such rights to the GDR Holders entitled thereto in such manner as the GDR Depositary may at its discretion determine; or

(c) if and to the extent that the GDR Depositary deems any such arrangement and distribution as is referred to in paragraphs (a) and (b) above to all or any GDR Holders not to be lawful and reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Fund, the GDR Custodian or the GDR Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the GDR Depositary (i) will, **PROVIDED THAT** GDR Holders have not taken up rights through the GDR Depositary as provided in (a) above, sell such rights (either by public or private sale and otherwise at its discretion subject to all applicable laws and regulations) or (ii) may, if such rights are not transferable, in its discretion, arrange for such rights to be exercised and the resulting Shares or securities sold and, in each case, distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the GDR Holders entitled thereto.

(i) Notwithstanding the foregoing, in the event that the GDR Depositary offers rights pursuant to Condition 7(a) (the "**Primary GDR Rights Offering**"), if authorised by the Fund to do so, the GDR Depositary may, in its discretion, make arrangements whereby in addition to instructions given by a GDR Holder to the GDR Depositary to exercise rights on its behalf pursuant to Condition 7(a), such GDR Holder is permitted to instruct the GDR Depositary to subscribe on its behalf for additional rights which are not attributable to the Deposited Shares represented by such GDR Holder's GDRs ("**Additional GDR Rights**") if at the date and time specified by the GDR Depositary for the conclusion of the Primary GDR Rights Offering (the "**Instruction Date**") instructions to exercise rights have not been received by the GDR Depositary from the GDR Holders in respect of all their initial entitlements. Any GDR Holder's instructions to subscribe for such Additional GDR Rights ("**Additional GDR Rights Requests**") shall specify the maximum number of Additional GDR Rights that such GDR Holder is prepared to accept (the "**Maximum Additional Subscription**") and must be received by the GDR Depositary by the Instruction Date. If by the Instruction Date any rights offered in the Primary GDR Rights Offering have not been subscribed by the GDR Holders initially entitled thereto ("**Unsubscribed Rights**"), subject to Condition 7(d)(iii) and receipt of the relevant subscription price in Lei or other relevant currency, together with such fees, taxes, duties, charges, costs and expenses as it may deem necessary, the GDR Depositary shall make arrangements for the allocation and distribution of Additional GDR Rights in accordance with Condition 7(d)(ii).

(ii) Holders submitting Additional GDR Rights Requests shall be bound to accept the Maximum Additional Subscription specified in such Additional GDR Rights Request but the GDR Depositary shall not be bound to arrange for a GDR Holder to receive the Maximum Additional Subscription so specified but may make arrangements whereby the Unsubscribed Rights are allocated *pro rata* on the basis of the extent of the Maximum Additional Subscription specified in each GDR Holder's Additional GDR Rights Request.

(iii) In order to proceed in the manner contemplated in this Condition 7(d), the GDR Depositary shall be entitled to receive such opinions from Romanian counsel and United States counsel as in its reasonable discretion it deems necessary which opinions shall be in a form and provided by counsel reasonably satisfactory to the GDR Depositary and at the expense of the Fund and may be requested in addition to any other opinions and/or certifications which the GDR Depositary shall be entitled to receive under the GDR Deposit Agreement and these Conditions. For the avoidance of doubt, save as provided in these Conditions and the GDR Deposit Agreement, the GDR Depositary shall have no liability to the Fund or any GDR Holder in respect of its actions or omissions to act under this Condition 7(d) and, in particular, the GDR Depositary will not be regarded as being negligent, fraudulent, or in wilful default if it elects not to make the arrangements referred to in Condition 7(d)(i).

The Fund has agreed in the GDR Deposit Agreement that it will, unless prohibited by applicable law or regulation, give its consent to, and if requested use all reasonable endeavours (subject to the next paragraph) to facilitate, any such distribution, sale or subscription by the GDR Depositary or the GDR Holders, as the case may be, pursuant to Conditions 4, 5, 6, 7 or 10 (including the obtaining of legal opinions from counsel reasonably satisfactory to the GDR Depositary concerning such matters as the GDR Depositary may reasonably specify).

If the Fund notifies the GDR Depositary that registration is required in any jurisdiction under any applicable law of the rights, securities or other property to be distributed under Conditions 4, 5, 6, 7 or 10 or the securities to which such rights relate in order for the Fund to offer such rights or distribute such securities or other property to the GDR Holders or owners of GDRs and to sell the securities corresponding to such rights, the GDR Depositary will not offer such rights or distribute such securities or other property to the GDR Holders or sell such securities unless and until the Fund procures the receipt by the GDR Depositary of an opinion from counsel reasonably satisfactory to the GDR Depositary that a registration statement is in effect or that the offering and sale of such rights or securities to such GDR Holders or owners of GDRs are exempt from registration under the provisions of such law. Neither the Fund nor the GDR Depositary shall be liable to register such rights, securities or other property or the securities to which such rights relate and they shall not be liable for any losses, damages or expenses resulting from any failure to do so.

If at the time of the offering of any rights, at its discretion, the GDR Depositary shall be satisfied that it is not lawful or practicable (for reasons outside its control) to dispose of the rights in any manner provided in paragraphs (a), (b), (c) and (d) above, the GDR Depositary shall permit the rights to lapse. The GDR Depositary will not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to GDR Holders or owners of GDRs in general or to any GDR Holder or owner of a GDR or GDR Holders or owners of GDRs in particular.

8. **Conversion of Foreign Currency**

Whenever the GDR Depositary shall receive any currency other than United States dollars by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the currency so received can in the judgement of the GDR Depositary be converted on a reasonable basis into United States dollars and distributed to the GDR Holders entitled thereto, the GDR Depositary shall as soon as practicable convert or cause to be converted, by sale or in any other manner that it may reasonably determine, the currency so received into United States dollars. If such conversion or distribution can be effected only with the approval or licence of any government or agency thereof, the GDR Depositary may make reasonable efforts to apply, or procure that an application be made, for such approval or licence, if any, as it may deem desirable. If at any time the GDR Depositary shall determine that in its judgement any currency other than United States dollars is not convertible on a reasonable basis into United States dollars and distributable to the GDR Holders entitled thereto, or if any approval or licence of any government or agency thereof which is required for such conversion is denied or, in the reasonable opinion of the GDR Depositary, is not obtainable, or if any such approval or licence is not obtained within a reasonable period as determined by the GDR Depositary, the GDR Depositary may distribute such other currency received by it (or an appropriate document evidencing the right to receive such other currency) to the GDR Holders entitled thereto to the extent permitted under applicable law, or the GDR Depositary may in its discretion hold such other currency without liability for interest for the benefit of the GDR Holders entitled thereto. If any conversion of any such currency can be effected in whole or in part for distribution to some (but not all) GDR Holders entitled thereto, the GDR Depositary may at its discretion make such conversion and distribution in United States dollars to the extent possible to the GDR Holders entitled thereto and may distribute the balance of such other currency received by the GDR Depositary to, or hold such balance for the account of, the GDR Holders entitled thereto, and notify the GDR Holders accordingly.

9. **Distribution of any Payments**

9.1 Any distribution of cash under Conditions 4, 5, 6, 7 or 10 will be made by the GDR Depositary to GDR Holders on the record date established by the GDR Depositary for that purpose (such date to be the same as, or to the extent permitted by applicable law as close as is reasonably practicable to the record date set by the relevant general meeting of shareholders of the Fund) and, if practicable in the reasonable opinion of the GDR Depositary, notice shall be given promptly to GDR Holders in accordance with Condition 23, in each case subject to any laws or regulations applicable thereto and (subject to the provisions of Condition 8) distributions will be made in United States dollars by cheque drawn upon a bank in New York City or, in the case of the Master GDR, according to usual practice between the GDR Depositary and Clearstream or Euroclear, as the case may be. The GDR Depositary or the Agent, as the case may be, may deduct and retain from all moneys due in respect of such GDR in accordance with the GDR Deposit Agreement all fees, taxes, duties, charges, costs and expenses which may become or have become payable under the GDR Deposit Agreement or under applicable law or regulation in respect of such GDR or the relative Deposited Property.

9.2 Delivery of any securities or other property or rights other than cash shall be made as soon as practicable to the GDR Holders on the record date established by the GDR Depositary for that purpose (such date to be the same as, or to the extent permitted by applicable law as close as is reasonably practicable to the record date set by the relevant general meeting of shareholders of the Fund), subject to any laws or regulations applicable thereto. If any distribution made by the Fund with respect to the Deposited Property and received by the GDR Depositary shall remain unclaimed at the end of three years from the first date upon which such distribution is made available to GDR Holders in accordance with the GDR Deposit Agreement, all rights of the GDR Holders to such distribution or the proceeds of the sale thereof shall be extinguished and the GDR Depositary shall (except for any distribution upon the liquidation of the Fund when the GDR Depositary shall retain the same) return the same to the Fund for its own use and benefit subject, in all cases, to the provisions of applicable law or regulation.

10. **Capital Reorganisation**

Upon any sub-division, consolidation or other reclassification of Deposited Shares or any other part of the Deposited Property or upon any reduction of capital, or upon any reorganisation, merger or consolidation of the Fund or to which it is a party (except where the Fund is the continuing corporation), the GDR Depositary shall as soon as practicable give notice of such event to the GDR Holders and at its discretion may treat such event as a distribution and comply with the relevant provisions of Conditions 4, 5, 6 and 9 with respect thereto, or may execute and deliver additional GDRs in respect of Shares or may require the exchange of existing GDRs for new GDRs which reflect the effect of such change.

11. **Withholding Taxes and Applicable Laws**

11.1 Payments to GDR Holders of dividends or other distributions on or in respect of the Deposited Shares will be subject to deduction of Romanian and other withholding taxes (including any withholding taxes imposed by Section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, or any treaty, law, regulation or official guidance implementing FATCA), if any, at the applicable rates.

11.2 If any governmental or administrative authorisation, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law in Romania in order for the GDR Depositary to receive from the Fund Shares or other securities to be deposited under these Conditions, or in order for Shares, other securities or other property to be distributed under Condition 4, 5, 6 or 10 or to be subscribed under Condition 7 or to offer any rights or sell any securities represented by such rights relevant to any Deposited Shares, the Fund has agreed to apply for such authorisation, consent, registration or permit or file such report on behalf of the GDR Holders within the time required under such laws. In this connection, the Fund has undertaken in the GDR Deposit Agreement to the extent reasonably practicable to take such action as may be required in obtaining or filing the same. The GDR Depositary shall not be obliged to distribute GDRs representing such Shares, Shares, other securities or other property deposited under these Conditions or make any offer of any such rights or sell any securities corresponding to any such rights with respect to which (as notified to the GDR Depositary by the Fund) such authorisation, consent, registration or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain any such authorisation, consent, registration or permit, or to file any such report.

12. **Voting Rights**

12.1 GDR Holders will have voting rights with respect to the Deposited Shares. The Fund has agreed to notify by electronic mail the GDR Depositary of any resolution to be proposed at a General Meeting of the Shareholders of the Fund and the GDR Depositary will vote or cause to be voted the Deposited Shares in the manner set out in this Condition 12.

The Fund has agreed with the GDR Depositary that it will promptly provide to the GDR Depositary electronic copies, (by electronic mail or, upon notification by electronic mail of such to the GDR Depositary on the Fund's website), of notices of meetings of the shareholders of the Fund and the agenda therefor as well as written requests containing voting instructions by which each GDR Holder may give instructions to the GDR Depositary to vote for, against or abstain from voting with respect to each and any resolution specified in the agenda for the meeting, which the GDR Depositary shall send to any person who is a GDR Holder on the record date established by the GDR Depositary for that purpose (which shall be the same as the corresponding record date set by the Fund or, to the extent permitted by applicable law as near as practicable thereto) as soon as practicable after receipt of the same by the GDR Depositary in accordance with Condition 23, subject to any laws or regulations applicable thereto. On the same conditions as above, the Fund has also agreed to provide to the GDR Depositary appropriate proxy forms to enable the GDR Depositary to appoint a representative to attend the relevant meeting and vote on behalf of the GDR Depositary.

12.2 In order for each voting instruction to be valid, the voting instructions form must be completed and duly signed by the respective GDR Holder (or in the case of instructions received from the clearing systems should be received by authenticated SWIFT message) in accordance with the written request containing voting instructions and returned to the GDR Depositary by such record date as the GDR Depositary may specify.

12.3 The GDR Depositary will exercise or cause to be exercised the voting rights in respect of the Deposited Shares so that a portion of the Deposited Shares will be voted for a portion of the Deposited Shares will be voted against and a portion of the Deposited Shares will be abstained from voting on any resolution specified in the agenda for the relevant meeting in accordance with and within the limit of the voting instructions it has received.

12.4 If it at any time in the future a change in Romanian law means that the GDR Depositary is no longer permitted to exercise voting rights in respect of Deposited Shares differently (so that a portion of the Deposited Shares may be voted for a resolution and a portion of the Deposited Shares may be voted against or be abstained from voting on a resolution) the GDR Depositary shall, if permissible under Romanian law, calculate from the voting instructions that it has received from all GDR Holders (x) the aggregate number of votes in favour of a particular resolution and (y) the aggregate number of votes opposed to such resolution and cast or cause to be cast in favour of or opposed to such resolution the number of votes representing the net positive difference between such aggregate number of votes in favour of such resolution and such aggregate number of votes opposed to such resolution.

12.5 The GDR Depositary will only endeavour to vote or cause to be voted the votes attaching to Shares in respect of which voting instructions have been received. If no voting instructions are received by the GDR Depositary from a GDR Holder (either because no voting instructions are returned to the GDR Depositary or because the voting instructions are incomplete, illegible or unclear) with respect to any or all of the Deposited Shares represented by such GDR Holder's GDRs on or before the record date specified by the GDR Depositary the GDR Depositary shall not vote in respect of such Deposited Shares of such GDR Holder.

12.6 If it is not permissible under Romanian law or the GDR Depositary determines that it is not reasonably practicable to vote or cause to be voted such Deposited Shares in accordance with Conditions 12.3 or 12.4 the GDR Depositary shall not vote or cause to be voted such Deposited Shares.

12.7 Where the GDR Depositary is to vote in respect of each and any resolution in the manner described in Conditions 12.3 or 12.4 the GDR Depositary shall notify the Fund Manager of the Fund and appoint a person designated by the GDR Depositary as a representative of the GDR Depositary to attend such meeting and vote the Deposited Shares in the manner required by this Condition. The GDR Depositary is entitled to request the Fund to provide to the GDR Depositary, and, where such request has been made reasonably, the Depositary shall not be required to take any action required by this Condition 12 unless it shall have received, an opinion from the Fund's legal counsel (such counsel being reasonably acceptable to the GDR Depositary) at the expense of the Fund to the effect that such voting arrangement is valid and binding on GDR Holders under Romanian law and the statutes of the Fund and that the GDR Depositary is permitted to exercise votes in accordance with the provisions of this Condition 12 but that in doing so the GDR Depositary will not be deemed to be exercising voting discretion.

12.8 By continuing to hold GDRs, all GDR Holders shall be deemed to have agreed to the provisions of this Condition as it may be amended from time to time in order to comply with applicable Romanian law.

12.9 The GDR Depositary shall not, and the GDR Depositary shall ensure that the GDR Custodian and its nominees do not, vote or attempt to exercise the right to vote that attaches to the Deposited Shares, other than in accordance with and within the limit of instructions given, or deemed given, in accordance with this Condition.

13. **Recovery of Taxes, Duties and Other Charges, and Fees and Expenses due to the GDR Depositary**

The GDR Depositary shall not be liable for any taxes, duties, charges, costs or expenses which may become payable in respect of the Deposited Shares or other Deposited Property or the GDRs, whether under any present or future fiscal or other laws or regulations, and such part thereof as is proportionate or referable to a GDR (the "**Charges**") shall be payable by the GDR Holder thereof to the GDR Depositary at any time on request or may be deducted from any amount due or becoming due on such GDR in respect of any dividend or other distribution. The GDR Depositary may, subject to all applicable laws and regulations, sell (whether by way of public or private sale and otherwise at its discretion) for the account of the Holder an appropriate number of Deposited Shares or amount of other Deposited Property and will discharge out of the proceeds of such sale any Charges, and any fees or expenses due to the GDR Depositary from the GDR Holder pursuant to Condition 16, and subsequently pay any surplus to the GDR Holder. Any request by the GDR Depositary for the payment of Charges shall be made by giving notice pursuant to Condition 23.

14. **Liability**

14.1 In acting hereunder the GDR Depositary shall have only those duties, obligations and responsibilities expressly specified in the GDR Deposit Agreement and these Conditions and, other than holding the Deposited Property for the benefit of GDR Holders as bare trustee (or any cash comprised in the Deposited Property as banker pursuant to Condition 26), does not assume any relationship of trust for or with the Holders or owners of GDRs or any other person.

14.2 Neither the GDR Depositary, the GDR Custodian, the Fund, the Fund Manager, any Agent, nor any of their agents, officers, directors or employees shall incur any liability to any other of them or to any GDR Holder or owner of a GDR or any other person with an interest in any GDRs if, by reason of any provision of any present or future law or regulation of Romania or any other country or of any relevant governmental authority, or by reason of the interpretation or application of any such present or future law or regulation or any change therein, or by reason of any other circumstances beyond their control, or in the case of the GDR Depositary, the GDR Custodian, any Agent, or any of their agents, officers, directors or employees, by reason of any provision, present or future, of the constitutive documents of the Fund, any of them shall be prevented, delayed or forbidden from doing or performing any act or thing which the terms of the GDR Deposit Agreement or these Conditions provide shall or may be done or performed; nor shall any of them incur any liability to any GDR Holder or owner of GDRs or any other person with an interest in any GDRs by reason of any exercise of, or failure to exercise, any voting rights attached to the Deposited Shares or any of them or any other discretion or power provided for in the GDR Deposit Agreement. Any such party may rely on, and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly signed or presented (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).

14.3 Neither the GDR Depositary nor any Agent shall be liable (except for its own wilful default, negligence or fraud or that of its agents, officers, directors or employees) to the Fund or any GDR Holder or owner of GDRs or any other person, by reason of having accepted as valid or not having rejected any certificate for Shares or GDRs or any signature on any transfer or instruction purporting to be such and subsequently found to be forged or not authentic or for its failure to perform any obligations under the GDR Deposit Agreement or these Conditions.

14.4 The GDR Depositary and its agents may engage or be interested in any financial or other business transactions with the Fund or any of its subsidiaries or affiliates, or in relation to the Deposited Property (including without prejudice to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any time hold or be interested in GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commissions and other charges for business transacted and acts done by it as a bank, and not in the capacity of GDR Depositary, in relation to matters arising under the GDR Deposit Agreement (including, without prejudice to the generality of the foregoing, charges on the conversion of any part of the Deposited Property from one currency to another and on any sales of property) without accounting to GDR Holders or any other person for any profit arising therefrom.

14.5 The GDR Depositary shall endeavour to effect any such sale as is referred to or contemplated in Conditions 5, 6, 7, 10, 13 or 21 or any such conversion as is referred to in Condition 8 in accordance with the GDR Depositary's normal practices and procedures but shall have no liability (in the absence of its own wilful default, negligence or fraud or that of its agents, officers, directors or employees) with respect to the terms of such sale or conversion or if such sale or conversion shall not be reasonably practicable.

14.6 The GDR Depositary shall not be required or obliged to monitor, supervise or enforce the observance and performance by the Fund of its obligations under or in connection with the GDR Deposit Agreement or these Conditions.

14.7 The GDR Depositary shall have no responsibility whatsoever to the Fund, any GDR Holders or any owner of GDRs or any other person as regards any deficiency which might arise because the GDR Depositary is subject to any tax in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof.

14.8 In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of the GDR Deposit Agreement, the GDR Depositary shall not, except as otherwise expressly provided in Condition 22, be obliged to have regard to the consequence thereof for the GDR Holders or the owners of GDRs or any other person.

14.9 Notwithstanding anything else contained in the GDR Deposit Agreement or these Conditions, the GDR Depositary may refrain from doing anything which could or might, in its reasonable opinion, be contrary to any law of any jurisdiction or any directive or regulation of any agency or state or which would or might otherwise render it liable to any person and the GDR Depositary may do anything which is, in its reasonable opinion, necessary to comply with any such law, directive or regulation.

14.10 The GDR Depositary may, in relation to the GDR Deposit Agreement and these Conditions, act or take no action on the advice or opinion of, or any certificate or information obtained from, any lawyer, valuer, accountant, banker, broker, securities company or other expert whether obtained by the Fund, the GDR Depositary or otherwise, and shall not be responsible or liable for any loss or liability occasioned by so acting or refraining from acting or relying on information from persons presenting Shares for deposit or GDRs for surrender or requesting transfers thereof.

14.11 Any such advice, opinion, certificate or information (as discussed in Condition 14.10 above) may be sent or obtained by letter, telex, electronic mail or facsimile transmission and the GDR Depositary shall not be liable for acting on any advice, opinion, certificate or information purported to be conveyed by any such letter, telex, electronic mail or facsimile transmission although (without the GDR Depositary's knowledge) the same shall contain some error or shall not be authentic.

14.12 The GDR Depositary may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing, a certificate, letter or other communication, whether oral or written, signed or otherwise communicated on behalf of the Fund by a director of the Fund or by a person duly authorised by a director of the Fund or such other certificate from persons specified in Condition 14.10 above which the GDR Depositary considers appropriate and the GDR Depositary shall not be bound in any such case to call for further evidence or be responsible for any loss or liability that may be occasioned by the GDR Depositary acting on such certificate.

14.13 The GDR Depositary shall have no obligation under the GDR Deposit Agreement except to perform its obligations as are specifically set out therein without wilful default, negligence or fraud.

14.14 The GDR Depositary may delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons, whether being a joint GDR Depositary of the GDR Deposit Agreement or not and not being a person to whom the Fund may reasonably object, all or any of the powers, authorities and discretions vested in the GDR Depositary by the GDR Deposit Agreement and such delegation may be made upon such terms and subject to such conditions, including power to sub-delegate and subject to such regulations as the GDR Depositary may in the interests of the GDR Holders think fit, **provided that** no objection from the Fund to any such delegation as aforesaid may be made to a person whose financial statements are consolidated with those of the GDR Depositary's ultimate holding company. Any delegation by the GDR Depositary shall be on the basis that the GDR Depositary is acting on behalf of the GDR Holders and the Fund in making such delegation. The Fund shall not in any circumstances and the GDR Depositary shall not (**provided that** it shall have exercised reasonable care in the selection of such delegate) be bound to supervise the proceedings or be in any way responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate. However, the GDR Depositary shall, if practicable, and if so requested by the Fund, pursue (at the Fund's expense and subject to receipt by the GDR Depositary of such indemnity and security for costs as the GDR Depositary may reasonably require) any legal action it may have against such delegate or sub-delegate arising out of any such loss caused by reason of any such misconduct or default. The GDR Depositary shall, within a reasonable time of any such delegation or any renewal, extension or termination thereof, give notice thereof to the Fund. Any delegation under this Condition which includes the power to sub-delegate shall provide that the delegate shall, within a specified time of any sub-delegation or amendment, extension or termination thereof, give notice thereof to the Fund and the GDR Depositary.

14.15 The GDR Depositary may, in the performance of its obligations hereunder, instead of acting personally, employ and pay an agent, whether a solicitor or other person, to transact or concur in transacting any business and do or concur in doing all acts required to be done by such party, including the receipt and payment of money.

14.16 The GDR Depositary shall be at liberty to hold or to deposit the GDR Deposit Agreement and any deed or document relating thereto in any part of the world with any banking company or companies (including itself) whose business includes undertaking the safe custody of deeds or documents or with any lawyer or firm of lawyers of good repute, and the GDR Depositary shall not (in the case of deposit with itself, in the absence of its own negligence, wilful default, or fraud or that of its agents, directors, officers or employees) be responsible for any losses, liability or expenses incurred in connection with any such deposit.

14.17 Notwithstanding anything to the contrary contained in the GDR Deposit Agreement or these Conditions, the GDR Depositary shall not be liable in respect of any loss or damage which arises out of or in connection with its performance or non-performance, or the exercise or attempted exercise of (or the failure to exercise any of) its powers or discretions, under the GDR Deposit Agreement, except to the extent that such loss or damage arises from the wilful default, negligence or fraud of the GDR Depositary or that of its agents, officers, directors or employees. Without prejudice to the generality of the foregoing, in no circumstances shall the GDR Depositary have any liability for any act or omission of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of Deposited Shares or otherwise.

14.18 No provision of the GDR Deposit Agreement or these Conditions shall require the GDR Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

14.19 For the avoidance of doubt, the GDR Depositary shall be under no obligation to check, monitor or enforce compliance with any ownership restrictions in respect of GDRs or Shares under any applicable Romanian law as the same may be amended from time to time. Notwithstanding the generality of Condition 3, the GDR Depositary shall refuse to register any transfer of GDRs or any deposit of Shares against issuance of GDRs if notified by the Fund, or the GDR Depositary becomes aware of the fact, that such transfer or issuance would result in a violation of the limitations set forth above.

14.20 No disclaimer of liability under the Securities Act is intended by any provision of the GDR Deposit Agreement.

15. **Issue and Delivery of Replacement GDRs**

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the GDR Depositary may reasonably require, replacement GDRs will be issued by the GDR Depositary and will be delivered in exchange for or replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of the destruction, loss or theft) at the specified office of the GDR Depositary or (at the request, risk and expense of the GDR Holder) at the specified office of any Agent.

16. **GDR Depositary's Fees, Costs and Expenses**

The GDR Depositary shall be entitled to charge the following remuneration and to receive the following remuneration and reimbursement (such remuneration and reimbursement being payable on demand) from the GDR Holders in respect of its services under the GDR Deposit Agreement:

(a) for the issue of GDRs or the cancellation of GDRs: U.S.$5.00 or less per 100 GDRs (or portion thereof) issued or cancelled;

(b) for issuing GDR certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed GDR certificates: a sum per GDR certificate which is determined by the GDR Depositary to be a reasonable charge to reflect the work, costs and expenses involved;

(c) for issuing GDR certificates in definitive registered form (other than pursuant to (b) above): the greater of U.S.$1.50 per GDR certificate (plus printing costs) or such other sum per GDR certificate which is determined by the GDR Depositary to be a reasonable charge to reflect the work plus costs (including but not limited to printing costs) and expenses involved;

(d) for receiving and paying any cash dividend or other cash distribution on or in respect of the Deposited Shares: a fee of U.S.$0.05 or less per GDR for each such dividend or distribution;

(e) in respect of any issue of rights or distribution of Shares (whether or not evidenced by GDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution: U.S.$5.00 or less per 100 outstanding GDRs (or portion thereof) for each such issue of rights, dividend or distribution;

(f) a fee of U.S.$ 0.05 or less per GDR (or portion thereof) per calendar year for depositary services which shall be payable as provided in paragraph (h) below;

(g) a fee of U.S. $0.01 or less per GDR per annum for local share registry inspection and related services by the GDR Depositary or the GDR Custodian or their respective agents, which shall be payable as provided in paragraph (h) below; and

(h) any other charge payable by the GDR Depositary, any of the GDR Depositary's agents, including the GDR Custodian, or the agents of the GDR Depositary's agents, in connection with the servicing of Deposited Shares or other Deposited Property (which charge shall be assessed against GDR Holders as of the date or dates set by the GDR Depositary and shall be payable at the sole discretion of the GDR Depositary by billing such GDR Holders for such charge or deducting such charge from one or more cash dividends or other cash distributions),

together with all expenses (including currency conversion expenses), transfer and registration fees, taxes, duties and charges payable by the GDR Depositary, any Agent or the GDR Custodian, or any of their agents, in connection with any of the above.

16.2 The GDR Depositary is entitled to receive from the Fund the fees, taxes, duties, charges costs and expenses as specified in a separate agreement between the Fund and the GDR Depositary.

16.3 From time to time, the GDR Depositary may make payments to the Fund to reimburse and / or share revenue from the fees collected from GDR holders, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of establishment and maintenance of the GDR facilities established pursuant to the GDR Deposit Agreement. In performing its duties under the GDR Deposit Agreement, the GDR Depositary may use brokers, dealers or other service providers that are affiliates of the GDR Depositary and that may earn or share fees and commissions.

17. **Agents**

17.1 The GDR Depositary shall be entitled to appoint one or more agents (the "**Agents**") for the purpose, *inter alia*, of making distributions to the GDR Holders.

17.2 Notice of appointment or removal of any Agent or of any change in the specified office of the GDR Depositary or any Agent will be duly given by the GDR Depositary to the GDR Holders.

18. **Listing**

The Fund has undertaken in the GDR Deposit Agreement to use all reasonable endeavours to maintain, so long as any GDR is outstanding, admission to trading of the GDRs on the Specialist Fund Market of the London Stock Exchange.

For that purpose the Fund will pay all fees and sign and deliver all undertakings required by the London Stock Exchange in connection with such admission to trading. In the event that the admission to trading of the GDRs on the Specialist Fund Market of the London Stock Exchange is not maintained, the Fund has undertaken in the GDR Deposit Agreement to use all reasonable endeavours with the reasonable assistance of the GDR Depositary (provided at the Fund's expense) to obtain and maintain a listing and/or admission to trading of GDRs on any other internationally recognised stock exchange in Europe.

19. **The GDR Custodian**

The GDR Depositary has agreed with the GDR Custodian that the GDR Custodian will receive and hold (or appoint agents approved by the GDR Depositary to receive and hold) all Deposited Property for the account and to the order of the GDR Depositary in accordance with the applicable terms of the GDR Deposit Agreement which include a requirement to segregate the Deposited Property from the other property of, or held by, the GDR Custodian **PROVIDED THAT** for so long as the GDR Custodian is an authorised credit institution, the GDR Custodian shall not be obliged to segregate cash comprised in the Deposited Property from cash otherwise held by the GDR Custodian. The GDR Custodian shall be responsible solely to the GDR Depositary **PROVIDED THAT**, if and so long as the GDR Depositary and the GDR Custodian are the same legal entity, references to them separately in these Conditions and the GDR Deposit Agreement are for convenience only and that legal entity shall be responsible for discharging both functions directly to the GDR Holders and the Fund. The GDR Custodian may resign or be removed by the GDR Depositary by giving prior notice, except that if a replacement GDR Custodian is appointed which is a branch or affiliate of the GDR Depositary, the GDR Custodian's resignation or discharge may take effect immediately on the appointment of such replacement GDR Custodian. Upon the removal of or receiving notice of the resignation of the GDR Custodian, the GDR Depositary shall promptly appoint a successor GDR Custodian, which shall, upon acceptance of such appointment, and the expiry of any applicable notice period, become the GDR Custodian. The GDR Depositary in its discretion may appoint a substitute or additional custodian or custodians, which shall, upon acceptance of such appointment, become the GDR Custodian under the GDR Deposit Agreement. The GDR Depositary shall notify GDR Holders of such change in accordance with Condition 23. Notwithstanding the foregoing, the GDR Depositary may temporarily deposit the Deposited Property in a manner or a place other than as therein specified: **PROVIDED THAT**, in the case of such temporary deposit in another place, the Fund shall have consented to such deposit, and such consent of the Fund shall have been delivered to the GDR Custodian. In case of transportation of the Deposited Property under this Condition, the GDR Depositary shall obtain appropriate insurance at the expense of the Fund if and to the extent that the obtaining of such insurance is reasonably practicable and the premiums payable are of a reasonable amount.

20. **Resignation and Termination of Appointment of the GDR Depositary**

20.1 The Fund may terminate the appointment of the GDR Depositary under the GDR Deposit Agreement by giving at least 120 days' prior notice in writing to the GDR Depositary and the GDR Custodian, and the GDR Depositary may resign as GDR Depositary by giving at least 120 days' prior notice in writing to the Fund and the GDR Custodian. Within 30 days after the giving of either such notice, notice thereof shall be duly given by the Depositary to the GDR Holders in accordance with Condition 23.

The termination of the appointment or the resignation of the GDR Depositary shall take effect on the date specified in such notice; **PROVIDED THAT** no such termination of appointment or resignation shall take effect until the appointment by the Fund of a successor depositary under the GDR Deposit Agreement and the acceptance of such appointment to act in accordance with the terms thereof and of these Conditions, by the successor depositary. The Fund has undertaken in the GDR Deposit Agreement to use all reasonable endeavours to procure the appointment of a successor depositary with effect from the date of termination specified in such notice as soon as reasonably possible following notice of such termination or resignation. Upon any such appointment and acceptance, notice thereof shall be duly given by the GDR Depositary to the GDR Holders in accordance with Condition 23.

20.2 Upon the termination of the appointment or resignation of the GDR Depositary and against payment of all fees and expenses due to the GDR Depositary from the Fund under the GDR Deposit Agreement, the Depositary shall deliver to its successor as depositary sufficient information and records to enable such successor efficiently to perform its obligations under the GDR Deposit Agreement and shall deliver and pay to such successor depositary all property and cash held by it under the GDR Deposit Agreement. The GDR Deposit Agreement provides that, upon the date when such termination of appointment or resignation takes effect, the GDR Custodian shall be deemed to be the GDR Custodian thereunder for such successor depositary, and shall hold the Deposited Property for such successor depositary, and the GDR Depositary shall thereafter have no obligation under the GDR Deposit Agreement or the Conditions (other than liabilities accrued prior to the date of termination of appointment or resignation or any liabilities stipulated in relevant laws or regulations).

21. **Termination of GDR Deposit Agreement**

21.1 Either the Fund or the GDR Depositary but, in the case of the GDR Depositary, only if the Fund has failed to appoint a replacement GDR Depositary within 120 days of the date on which the GDR Depositary has given notice pursuant to Condition 20 that it wishes to resign, may terminate the GDR Deposit Agreement by giving 120 days' prior notice to the other and to the GDR Custodian. Within 30 days after the giving of such notice, notice of such termination shall be duly given by the GDR Depositary to GDR Holders of all GDRs then outstanding in accordance with Condition 23.

21.2 During the period beginning on the date of the giving of such notice by the GDR Depositary to the GDR Holders and ending on the date on which such termination takes effect, each GDR Holder shall be entitled to obtain delivery of the GDR Deposited Property relative to each GDR held by it, subject to the provisions of Condition 1.1 and upon compliance with Condition 1, payment by the GDR Holder of the charge specified in Condition 16.1(a) and Clause 10.1(a)(i) of the GDR Deposit Agreement for such delivery and surrender, and payment by the GDR

Holder of any sums payable by the GDR Depositary and/or any other expenses incurred by the GDR Depositary (together with all amounts which the GDR Depositary is obliged to pay to the GDR Custodian) in connection with such delivery and surrender, and otherwise in accordance with the GDR Deposit Agreement.

21.3 If any GDRs remain outstanding after the date of termination, the GDR Depositary shall as soon as reasonably practicable sell, subject to all applicable laws and regulations, the Deposited Property then held by it under the GDR Deposit Agreement and shall not register transfers, shall not pass on dividends or distributions or take any other action, except that it will deliver the net proceeds of any such sale, together with any other cash then held by it under the GDR Deposit Agreement, *pro rata* to GDR Holders of GDRs which have not previously been so surrendered by reference to that proportion of the Deposited Property which is represented by the GDRs of which they are the GDR Holders. After making such sale, the GDR Depositary shall be discharged from all obligations under the GDR Deposit Agreement and these Conditions, except its obligation to account to GDR Holders for such net proceeds of sale and other cash comprising the Deposited Property without interest.

22. **Amendment of GDR Deposit Agreement and Conditions**

22.1 Subject to Condition 22.3, all and any of the provisions of the GDR Deposit Agreement and these Conditions (other than this Condition 22) may at any time and from time to time be amended by written agreement between the Fund and the GDR Depositary in any respect which they may deem necessary or desirable. Notice of any amendment of these Conditions (except to correct a manifest error) shall be duly given to the GDR Holders by the GDR Depositary, and any amendment (except as aforesaid) which shall increase or impose fees payable by GDR Holders or which shall otherwise, in the opinion of the GDR Depositary, be materially prejudicial to the interests of the GDR Holders (as a class) shall not become effective so as to impose any obligation on the GDR Holders until the expiration of 30 calendar days after such notice shall have been given. During such period of 30 calendar days, each GDR Holder shall be entitled to obtain, subject to and upon compliance with Condition 1, delivery of the Deposited Property relative to each GDR held by it upon surrender thereof, payment of the charge specified in Condition 16.1(a) for such delivery and surrender and otherwise in accordance with the GDR Deposit Agreement and these Conditions. Each GDR Holder at the time when such amendment so becomes effective shall be deemed, by continuing to hold a GDR, to approve such amendment and to be bound by the terms thereof in so far as they affect the rights of the GDR Holders. In no event shall any amendment impair the right of any GDR Holder to receive, subject to and upon compliance with Condition 1, the Deposited Property attributable to the relevant GDR.

22.2 For the purposes of this Condition 22, an amendment shall not be regarded as being materially prejudicial to the interests of GDR Holders if its principal effect is to permit the creation of GDRs in respect of additional Shares to be held by the GDR Depositary which are or will become fully consolidated as a single series with the other Deposited Shares **PROVIDED THAT** temporary GDRs will represent such Shares until they are so consolidated.

22.3 The Fund and the GDR Depositary may at any time by agreement in any form amend the number of Shares represented by each GDR, provided that each outstanding GDR represents the same number of Shares as each other outstanding GDR, and at least 30 calendar days' notice of such amendment is given to the GDR Holders, but in no circumstances shall any amendment pursuant to this Condition 22.3 be regarded as an amendment requiring 30 calendar days' notice in accordance with Condition 22.1.

23. **Notices**

23.1 Any and all notices to be given to any GDR Holder shall be duly given if personally delivered, or sent by mail (if domestic, first class, if overseas, first class airmail) or air courier, or by facsimile transmission confirmed by letter sent by mail or air courier, addressed to such GDR Holder at the address of such GDR Holder as it appears on the transfer books for GDRs of the GDR Depositary, or, if such GDR Holder shall have filed with the GDR Depositary a written request that notices intended for such GDR Holder be mailed to some other address, at the address specified in such request.

23.2 Delivery of a notice sent by mail or air courier shall be effective 3 days (in the case of domestic mail or air courier) or 7 days (in the case of overseas mail) after despatch, and any notice sent by facsimile transmission, as provided in this Condition, shall be effective when the intended recipient has confirmed by telephone to the transmitter thereof that the recipient has received such facsimile in complete and legible form. The GDR Depositary or the Fund may, however, act upon any facsimile transmission received by it from the other or from any GDR Holder, notwithstanding that such facsimile transmission shall not subsequently be confirmed as aforesaid.

24. Reports and Information on the Fund

24.1 The Fund has undertaken in the GDR Deposit Agreement to send to the GDR Depositary (so long as any GDR is outstanding) electronic copies in the English language (and failing that shall make available to the GDR Depositary, GDR Custodian and any Agent as many hard copies in the English language as they may reasonably require) of any financial statements or accounts prepared in accordance with International Financial Reporting Standards (**IFRS**) (or equivalent) that it makes generally available to its shareholders, including but not limited to any financial statements or accounts that may be required by law or regulation or in order to maintain a listing for the GDRs on the London Stock Exchange, or any other stock exchange, in accordance with Condition 18, as soon as practicable following the publication or availability of such communications;

25. Copies of Fund Notices

The Fund has undertaken in the GDR Deposit Agreement to transmit to the GDR Custodian and the GDR Depositary on or before the day when the Fund first gives notice, by electronic mail, mail, publication or otherwise, to holders of any Shares or other Deposited Property, whether in relation to the taking of any action in respect thereof or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, such number of copies of, or the electronic address of the relevant webpage publishing, such notice and any other material (which contains information having a material bearing on the interests of the GDR Holders) furnished to such holders by the Fund (or such number of, or electronic copies of, English translations of the originals if the originals were prepared in a language other than English) in connection therewith as the GDR Depositary may reasonably request. If such notice is not furnished to the GDR Depositary in English, either by the Fund or the GDR Custodian, the GDR Depositary shall, at the Fund's expense, arrange for an English translation thereof (which may be in such summarised form as the GDR Depositary may deem adequate to provide sufficient information) to be prepared. Except as provided below, the GDR Depositary shall, as soon as practicable after receiving notice of such transmission or (where appropriate) upon completion of translation thereof, give due notice to the GDR Holders which notice may be given together with a notice pursuant to Condition 9.1, and shall make the same available to GDR Holders in such manner as it may determine.

26. Moneys held by the GDR Depositary

The GDR Depositary shall be entitled to deal with moneys paid to it by the Funds for the purposes of the GDR Deposit Agreement in the same manner as other moneys paid to it as a banker by its customers and shall not be required to invest such moneys or liable to account to the Fund or any GDR Holder or any other person for any interest thereon, except as otherwise agreed and shall not be obliged to segregate such moneys from other moneys belonging to the GDR Depositary.

27. Severability

If any one or more of the provisions contained in the GDR Deposit Agreement or in these Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

28. Governing Law

28.1 The GDR Deposit Agreement, the GDRs, and all non-contractual obligations arising from or connected with the GDR Deposit Agreement and the GDRs, are governed by, and shall be construed in accordance with, English law except that the certifications set forth in Schedule 3 to the GDR Deposit Agreement and any provisions relating thereto shall be governed by and construed in accordance with the laws of the State of New York. The rights and obligations attaching to the Deposited Shares will be governed by Romanian law. The Fund has submitted in respect of the GDR Deposit Agreement and the Deed Poll to the jurisdiction of the English courts and the courts of the State of New York and any United States Federal Court sitting in the Borough of Manhattan, New York City. The Fund has also agreed in the GDR Deposit Agreement, and the Deed Poll to allow, respectively, the GDR Depositary and the GDR Holders to elect that Disputes are resolved by arbitration under the Rules of the London Court of International Arbitration.

28.2 The Fund has irrevocably appointed Law Debenture Corporate Services Limited with its offices at Fifth Floor, 100 Wood Street, London EC2V 7EX, as its agent in England to receive service of process in any Proceedings (as defined in Condition 28.3 below) in England based on the Deed Poll and appointed Law Debenture Corporate Services Inc with its offices at 400 Madison Avenue Suite 4D, New York, NY10017 as its agent in New York to receive service of process in any Proceedings in New York. If for any reason the Fund does not have such an agent in England or New York as the case may be, it will promptly appoint a substitute process agent and notify the GDR Holders and the GDR Depositary of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

28.3 The courts of England are to have jurisdiction to settle any disputes (each a "**Dispute**") which may arise out of or in connection with the GDRs (including any dispute relating to the existence, validity or termination of the GDRs, or any non-contractual obligation arising out of or in connection with the GDRs, or the consequences of the nullity of the GDRs), and accordingly any legal action or proceedings arising out of or in connection with the GDRs ("**Proceedings**") may be brought in such courts. Without prejudice to the foregoing, the GDR Depositary further irrevocably agrees that any Proceedings may be brought in any New York State or United States Federal Court sitting in the Borough of Manhattan, New York City. The GDR Depositary irrevocably submits to the non-exclusive jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

28.4 These submissions are made for the benefit of each of the GDR Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdictions (whether concurrently or not).

28.5 In the event that the GDR Depositary is made a party to, or is otherwise required to participate in, any litigation, arbitration, or Proceeding (whether judicial or administrative) which arises from or is related to or is based upon any act or failure to act by the Fund, or which contains allegations to such effect, upon notice from the GDR Depositary, the Fund has agreed to fully cooperate with the GDR Depositary in connection with such litigation, arbitration or Proceeding.

28.6 The GDR Depositary irrevocably appoints The Bank of New York Mellon, London Branch, (Attention: The Manager) of 49th floor, One Canada Square, London E14 5AL as its agent in England to receive service of process in any Proceedings in England based on any of the GDRs. If for any reason the GDR Depositary does not have such an agent in England, it will promptly appoint a substitute process agent and notify the GDR Holders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

28.7 To the extent that the Fund may in any jurisdiction claim for itself or its assets or revenues sovereign or other immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such sovereign or other immunity (whether or not claimed) may be attributed in any such jurisdiction to the Fund or its assets or revenues, the Fund has agreed not to claim and irrevocably waives such sovereign or other immunity to the full extent permitted by the laws of such jurisdiction.

29. Language

Although the GDR Deposit Agreement or these Conditions may be translated into the Romanian language, the Romanian version of the GDR Deposit Agreement and these Conditions is for informational purposes only. In the event of any discrepancies between the English version and the Romanian version of the GDR Deposit Agreement or these Conditions, or any dispute regarding the interpretation of any provision in the English version or Romanian version of the GDR Deposit Agreement or these Conditions, the English version of the GDR Deposit Agreement and these Conditions shall prevail and questions of interpretation shall be addressed solely in the English language.

SUMMARY OF THE PROVISIONS RELATING TO THE GLOBAL DEPOSITARY RECEIPTS WHILST IN MASTER FORM

The GDRs will initially be evidenced by a single Master GDR in registered form The Master GDR will be deposited with The Bank of New York Depository (Nominees) Limited, as nominee for The Bank of New York Mellon, London Branch, as common depositary for Euroclear and Clearstream on the date the GDRs are issued.

The Master GDR contains provisions which apply to the GDRs while they are in master form, some of which modify the effect of the Terms and Conditions of the GDRs set out in this document. The following is a summary of certain of those provisions. Words and expressions given a defined meaning in the GDR Terms and Conditions shall have the same meanings in this section unless otherwise provided in this section.

For risks related to potential future limitations on the exercise of voting and/or dividends rights by a GDR's holder, see "*Risk Factors—Risks relating to the GDRs*".

Exchange

The Master GDR will be exchanged for certificates in definitive registered form representing GDRs only in the circumstances described in (i), (ii) or (iii) below, in whole but not in part. The GDR Depositary will irrevocably undertake in the Master GDR to deliver certificates in definitive registered form in exchange for the Master GDR, to GDR holders within 60 calendar days in the event that:

(i) Euroclear or Clearstream notifies the Fund that it is unwilling or unable to continue as a clearing system and a successor clearing system is not appointed within 90 calendar days; or

(ii) Euroclear or Clearstream is closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, and, in each case, no alternative clearing system satisfactory to the GDR Depositary is available within 45 calendar days; or

(iii) the GDR Depositary has determined that, on the occasion of the next payment in respect of the Master GDR, the GDR Depositary or its agent would be required to make any deduction or withholding from any payment in respect of the Master GDR which would not be required were the GDRs represented by certificates in definitive registered form, provided that the GDR Depositary shall have no obligation to so determine or to attempt to so determine.

Any such exchange shall be at the expense (including printing costs) of the Fund.

A GDR evidenced by an individual definitive certificate will not be eligible for clearing and settlement through Euroclear or Clearstream, Luxembourg.

Upon any exchange of a Master GDR for certificates in definitive registered form, or any distribution of GDRs pursuant to Conditions 5, 7 or 10 of the GDR Terms and Conditions or any reduction in the number of GDRs represented thereby following any withdrawal of Deposited Property pursuant to Condition 1 of the GDR Terms and Conditions, the relevant details shall be entered by the GDR Depositary on the register maintained by the GDR Depositary whereupon the number of GDRs represented by the Master GDR shall be reduced or increased (as the case may be) for all purposes by the number so exchanged and entered on the register. If the number of GDRs represented by a Master GDR is reduced to zero such Master GDR shall continue in existence until the obligations of the Fund under the GDR Deposit Agreement and the obligations of the GDR Depositary pursuant to the GDR Deposit Agreement and the GDR Terms and Conditions have terminated.

Payments, Distributions and Voting Rights

Payments of cash dividends and other amounts (including cash distributions) will, in the case of GDRs represented by the Master GDR be made by the GDR Depositary through Euroclear and Clearstream, on behalf of persons entitled thereto upon receipt of funds therefor from the Fund. A free distribution or rights issue of Shares to the GDR Depositary on behalf of the GDR Holders will result in the record maintained by the GDR Depositary being marked up to reflect the enlarged number of GDRs represented by the Master GDR.

GDR Holders of GDRs will have voting rights as set out in the GDR Terms and Conditions.

Surrender of GDRs

Any requirement in the GDR Terms and Conditions relating to the surrender of a GDR to the GDR Depositary shall be satisfied by the production by Euroclear and Clearstream, on behalf of a person entitled to an interest in the Master GDR of such evidence of entitlement of such person as the GDR Depositary may reasonably require, which is expected to be a certificate or other documents issued by Euroclear or Clearstream, as appropriate. The delivery or production of any such evidence shall be sufficient evidence, in favour of the GDR Depositary, any Agent and the GDR Custodian of the title of such person to receive (or to issue instructions for the receipt of) all money or other property payable or distributable in respect of the Deposited Property represented by such GDRs.

Notices

For as long as the Master GDR is registered in the name of a nominee for a common depository holding on behalf of Euroclear and Clearstream, notices to GDR Holders may be given by the GDR Depositary by delivery of the relevant notice to Euroclear and Clearstream, for communication to persons entitled thereto in substitution for delivery of notices in accordance with the GDR Terms and Conditions.

Governing Law

The Master GDR, and all non-contractual obligations arising from or connected with the Master GDR, shall be governed by and construed in accordance with English law, except for certain certifications and any provisions relating thereto which shall be governed by and construed in accordance with the laws of the State of New York.

DESCRIPTION OF ARRANGEMENTS TO SAFEGUARD THE RIGHTS OF THE HOLDERS OF THE GLOBAL DEPOSITARY RECEIPTS

The GDR Depositary

Information relating to the Depositary

The GDR Depositary is an entity established in the State of New York and is a state chartered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Banking Department of Financial Services.

Rights of the GDR Holders

Relationship of GDR Holders with the GDR Depositary

The rights of GDR Holders against the GDR Depositary are governed by the GDR Terms and Conditions and the GDR Deposit Agreement, which are governed by English law (except that the certifications to be given upon deposit or withdrawal of Shares (in Schedule 3 to the GDR Deposit Agreement) are governed by the laws of the State of New York). The GDR Depositary and the Fund are parties to the GDR Deposit Agreement. GDR Holders have contractual rights against the GDR Depositary under the GDR Terms and Conditions in relation to cash held by the GDR Depositary, and rights against the GDR Depositary under the GDR Terms and Conditions under a bare trust in respect of Deposited Property other than cash (including Deposited Shares, which are Shares of the Fund represented by GDRs) deposited with the GDR Depositary under the GDR Deposit Agreement, and certain limited rights against the Fund by virtue of the Deed Poll.

Voting

With respect to voting of Deposited Shares and other Deposited Property represented by GDRs, the GDR Terms and Conditions and the GDR Deposit Agreement provide that, if instructed by the Fund, the GDR Depositary shall send to any person who is a GDR Holder on the record date established by the GDR Depositary for that purpose voting materials and instructions for voting. The GDR Deposit Agreement and the GDR Terms and Conditions provide that the GDR Depositary will endeavour to exercise or cause to be exercised the voting rights with respect to Deposited Shares in accordance with the voting instructions it has received from GDR Holders. As at the date of this Prospectus, the Fund confirms that there are no restrictions under applicable law, the constitutive documents of the Fund or the provisions of the Deposited Shares that would prohibit or restrict the GDR Depositary from voting any of the Deposited Shares in accordance with instructions from GDR Holders.

Delivery of GDRs

The GDR Deposit Agreement and the GDR Terms and Conditions provide that the Deposited Shares can only be delivered out of the GDR facility to, or to the order of, a GDR Holder of related GDRs upon receipt and cancellation of such GDRs (which may be upon the request of the GDR Holders or following termination of the GDR Deposit Agreement) or in connection with a sale to pay taxes or certain other charges due to the GDR Depositary.

Rights of the Fund

The Fund has broad rights to remove the GDR Depositary under the terms of the GDR Deposit Agreement, but no specific rights under the GDR Deposit Agreement which are triggered in the event of the insolvency of the GDR Depositary.

Insolvency of the GDR ***Depositary***

Applicable insolvency law

If the GDR Depositary becomes insolvent, the insolvency proceedings will be governed by US law applicable to the insolvency of banks.

Effect of applicable insolvency law in relation to cash

The GDR Terms and Conditions state that any cash held by the GDR Depositary for GDR Holders is held by the GDR Depositary as banker. Under current US law, it is expected that any cash held for GDR Holders by the GDR Depositary as banker under the GDR Terms and Conditions would constitute an unsecured obligation of the GDR Depositary. GDR Holders would therefore only have an unsecured claim in the event of the GDR Depositary's insolvency for such cash, and such cash would also be available to general creditors of the GDR Depositary or the US Federal Deposit Insurance Corporation ("**FDIC**").

Effect of applicable insolvency law in relation to non-cash assets

The GDR Deposit Agreement states that the Deposited Shares and other non-cash assets which are held by the GDR Depositary for GDR Holders are held by the GDR Depositary as bare trustee and, accordingly, the GDR Holders will be tenants in common for such Deposited Shares and other non-cash assets. Under current US law, it is expected that any Deposited Shares and other non-cash assets held for GDR Holders by the GDR Depositary on trust under the GDR Terms and Conditions would not constitute assets of the GDR Depositary and that GDR Holders would have ownership rights relating to such Deposited Shares and other non-cash assets and be able to request the GDR Depositary's liquidator to deliver to them such Deposited Shares and other non-cash assets, and such Deposited Shares and other non-cash assets would be unavailable to general creditors of the GDR Depositary or the FDIC.

Default of the GDR Depositary

If the GDR Depositary fails to pay cash or deliver non-cash assets to GDR Holders in the circumstances required by the GDR Terms and Conditions or otherwise engages in a default for which it would be liable under the GDR Terms and Conditions, the GDR Depositary will be in breach of its contractual obligations under the GDR Terms and Conditions. In such case, GDR Holders will have a claim under English law against the GDR Depositary to the extent that the GDR Depositary is in breach of its contractual obligations under the GDR Terms and Conditions.

The GDR Custodian

The GDR Custodian is Raiffeisen Bank S.A., an entity established under Romanian law. The GDR Custodian holds securities for the GDR Depositary subject to a custody agreement between the GDR Custodian and the GDR Depositary which is governed by New York law.

Relationship of GDR Holders with the GDR Custodian

The Holders do not have any contractual relationship with, or rights enforceable against, the Custodian. All Shares, including the Deposited Shares, will be held through the Romanian Clearing-Settlement, Custody, Depository and Registry System ("**RoClear**") managed by the Romanian Central Depositary. The accounts of RoClear will show a global account in the name of, and managed by the GDR Custodian. A sub-account of the GDR Custodian's global account in the name of the GDR Depositary will also show in RoClear's records. The Deposited Shares will be held in this sub-account held in the name of the GDR Depositary.

Default of the GDR Custodian

Failure to deliver cash

Cash payments from the Fund (which are expected to be denominated in RON) will initially be received by the GDR Depositary in an account held with the GDR Custodian in the GDR Depositary's name. Subject to Romanian legislation (which currently permits amounts in RON to be removed from Romania and converted into US dollars by the GDR Depositary without restriction), amounts received from the Fund by the GDR Depositary will then be exchanged for US dollars in accordance with the GDR Terms and Conditions and the US dollars will be received by the GDR Depositary in New York. After deduction of any fees and expenses of the GDR Depositary, the US dollars will then be credited to the appropriate accounts of the GDR Holders. If the GDR Custodian fails to deliver cash to the GDR Depositary as required under the custody agreement or otherwise engages in a default for which it would be liable under the terms of the custody agreement, the GDR Custodian will be in breach of its contractual obligations under the custody agreement. In such case, the GDR Depositary would have a claim under New York law against the GDR Custodian for the GDR Custodian's breach of its contractual obligations under the custody agreement. The GDR Depositary can also remove the GDR Custodian and appoint a substitute or additional custodians and may exercise such rights if it deems necessary.

Failure to deliver non-cash assets

If the GDR Custodian fails to deliver Deposited Shares or other non-cash assets held for the GDR Depositary as required by the GDR Depositary or otherwise defaults under the terms of the custody agreement, the GDR Custodian will be in breach of its obligations to the GDR Depositary. In such case the GDR Depositary will have a claim under New York law against the GDR Custodian for the GDR Custodian's breach of its obligations under the custody agreement. The GDR Depositary can also remove the GDR Custodian and appoint a substitute or additional custodians and may exercise such rights if it deems necessary.

The GDR Depositary's liability

The GDR Depositary is only liable to GDR Holders for loss incurred by GDR Holders as a result of default by the GDR Custodian if such loss arises from the wilful default, negligence or fraud of the GDR Depositary or that of its agents, officers, directors or employees.

The GDR Depositary's obligations

The GDR Depositary has no obligation to pursue a claim for breach of obligations against the GDR Custodian on behalf of GDR Holders. The GDR Depositary is not responsible for and shall incur no liability in connection with or arising from default by the GDR Custodian due to any act or omission to act on the part of the GDR Custodian, except to the extent that the GDR Custodian has (i) committed fraud or wilful misconduct in the provision of custodial services to the GDR Depositary or (ii) failed to use reasonable care in the provision of custodial services to the GDR Depositary as determined in accordance with the standards prevailing in the jurisdiction in which the GDR Custodian is located.

Applicable law

The custody agreement is New York law governed.

Insolvency of the GDR Custodian

Applicable law

If the GDR Custodian becomes insolvent, the insolvency proceedings will be governed by applicable Romanian law.

Effect of applicable insolvency law in relation to cash

Cash held by the GDR Depositary on deposit with the GDR Custodian represents an unsecured claim of the GDR Depositary against the GDR Custodian. Under current Romanian law, it is expected that any cash held for the GDR Depositary by the GDR Custodian at the time of the GDR Custodian's insolvency would form part of the GDR Custodian's insolvent estate and would be available to satisfy the claims of the GDR Custodian's creditors generally.

Effect of applicable insolvency law in relation to non-cash assets

The GDR Depositary will have ownership rights in the Deposited Shares or other non-cash assets held by the GDR Custodian at the time of its insolvency and applicable Romanian legislation makes clear that the Deposited Shares would not be available to satisfy the claims of the GDR Custodian's creditors generally. Rather, the Deposited Shares would be transferred into an account maintained by another custodian appointed by the GDR Depositary.

The GDR Depositary's liability

The GDR Depositary is only liable to GDR Holders for loss incurred by GDR Holders as a result of the GDR Custodian's insolvency if such loss arises from the wilful default, negligence or fraud of the GDR Depositary or that of its agents, officers, directors or employees.

The GDR Depositary's obligations

The GDR Depositary has no obligation to pursue a claim in the GDR Custodian's insolvency on behalf of the GDR Holders. The GDR Depositary has no responsibility for, and will incur no liability in connection with or arising from, the insolvency of any custodian. In the event of the insolvency of the GDR Custodian, the GDR Holders have no direct recourse to the GDR Custodian under the GDR Deposit Agreement, though the GDR Depositary can remove the GDR Custodian and appoint a substitute or additional custodians and may exercise such rights if it deems necessary.

GDR HOLDERS ARE REMINDED THAT THE ABOVE DOES NOT CONSTITUTE LEGAL ADVICE AND IN THE EVENT OF ANY DOUBT REGARDING THE EFFECT OF THE DEFAULT OR INSOLVENCY OF THE GDR DEPOSITARY OR THE GDR CUSTODIAN, GDR HOLDERS SHOULD CONSULT THEIR OWN ADVISORS IN MAKING A DETERMINATION.

TAXATION

The following summary of certain Romanian and United Kingdom tax consequences of ownership of the GDRs is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to GDR Holders. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a GDR Holder. Each prospective investor is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of the GDRs, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Prospectus, and of any actual changes in applicable tax laws after such date.

Romanian Tax Considerations

The following information is a summary of the most significant Romanian tax considerations relevant to the GDR Holders.

The summary is based on the Romanian and EU laws, regulations and administrative procedures in effect at the date of the this Prospectus and is not intended to represent a legal opinion or be a comprehensive analysis of all possible tax considerations that may be relevant for Romanian and non-Romanian individuals and legal entities in relation to the GDRs.

Prior to investing in GDRs, potential investors should seek advice from their tax and financial advisors with respect to Romanian and/or EU tax regulations applicable in their specific case, including the applicability of double taxation treaties, pending or proposed changes in applicable tax laws as of the date of this Prospectus and any actual changes in applicable tax laws after such date.

Under Fiscal Code, certain types of income received by Romanian residents or non-residents from Romanian sources or from abroad are subject to taxation in Romania at the tax rates stipulated by the Fiscal Code. For the purposes of the Fiscal Code:

- a "**foreign legal entity**" means any legal entity which is not a Romanian legal entity and any legal entity established pursuant to European law which does not have the registered office in Romania;
- a "**non-resident individual**" means any individual which is not a resident individual;
- a "**legal entity established pursuant to European law**" means any legal entity established in accordance with and by the mechanics contemplated by European regulations;
- a "**non-resident**" means any foreign legal entity, any non-resident individual, and any other foreign entities, including undertakings for collective investment in transferable securities without legal personality, which are not registered in Romania according to the law.
- a "**Romanian legal entity**" means any legal entity established in accordance with Romanian law;
- a "**resident individual**" means any individual that meets at least one of the following conditions: (a) is domiciled in Romania, (b) has the centre of his vital interests (Romanian language: "*centrul intereselor vitale*") located in Romania, (c) is present in Romania for a period or several periods exceeding in aggregate 183 days during any 12 consecutive months, and that period ends in the relevant calendar year, (d) is a Romanian citizen that works abroad as an officer or an employee of the Romanian State. By way of exception from the provisions (a) to (d) above, neither a foreign citizen enjoying diplomatic or consular regime within Romania, nor a foreign citizen who is an employee or officer of an international and intergovernmental organisation registered in Romania, nor a foreign citizen who is an officer or an employee of a foreign state in Romania, nor their family members will be deemed to be resident individuals in Romania; and

- a "**resident**" means any Romanian legal entity, any foreign legal entity which has its place of effective management in Romania, any legal entity having its headquarters in Romania, incorporated according to European legislation and any resident individual.

Taxation of dividends

Tax rate

Dividends paid/distributed by Romanian legal entities to individuals, legal entities (either Romanian or non-Romanian tax residents) and other foreign entities are subject to a tax of 16% withheld at source.

Exemptions

The holders of Shares which are Romanian legal entities may be eligible for exemption from 16% dividend withholding tax pursuant to the Fiscal Code, provided that they have held a minimum of 10% of the shares of the Romanian legal entity that pays the dividends, for a period of one year elapsed until the date of payment thereof inclusively. Additionally, please note that the dividend income received by Romanian legal entities from other Romanian legal entities qualifies as non-taxable for Romanian profits tax purposes if at the date the dividends are booked according to the accounting regulations (i) the receiving Romanian legal entity holds at least 10% of the share capital in the Romanian legal entity distributing the dividends and (ii) the shareholding was held for a continuous period of at least 1 year.

Under the Council Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different EU Member States (the "**Parent Subsidiary Directive**") (which was implemented in the Romanian national legislation), holders of Shares which are legal entities and tax residents in a EU Member State and are not considered to be tax residents in a Non-Member State within the meaning of a double taxation treaty may benefit from the same exemption from Romanian dividend withholding tax as the legal entities which are residents from a fiscal point of view in Romania, subject to compliance with conditions specified above, as well as having been organised in the corporate form eligible under the Parent Subsidiary Directive and being profit tax payers (not entitled to exemption/excuse from profit tax) in their home country. If the condition regarding the minimum holding period of one year is not met, the 16% dividend withholding tax will be applied by the Romanian company which pays the dividends but, subsequently, in the fiscal year in which the condition is met, the tax paid may be recovered by the dividend recipient from the company which paid the dividends, subject to the submission of a request by the dividend recipient to the company which paid the dividends within the legal statute of limitation period (five years).

To benefit from the exemption from Romanian dividends tax pursuant to the EU Parent Subsidiary Directive, a holder of Shares which is a legal entity resident in an EU member state is required to provide to the Romanian legal entity which pays the dividends a tax residence certificate confirming its tax residence at the time the dividends are paid, as well as an affidavit confirming the fulfilment of the applicable conditions under the template provided by Romanian legislation.

The dividends distributed/paid by a Romanian legal entity to other Romanian legal entities which qualify as voluntary pension funds or privately managed pension funds, as well as to the bodies of the Romanian public administration exercising, according to the law, the rights and obligations deriving from the capacity of shareholder of the Romanian State in those Romanian legal entities, as well as dividends paid to non-residents which qualify as pension funds, as defined in the local legislation of another EU or EFTA state, are exempted from dividend withholding tax.

Also, dividend payments made to a shareholder which is a tax resident of Switzerland and is not also a tax resident of a third state on the basis of a tax treaty between Switzerland and another state could be tax exempt in Romania on the basis of the Agreement between the European Community and Switzerland providing for measures equivalent to those laid down in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments, provided that the following conditions are fulfilled: a minimum 25% direct shareholding; a minimum holding period of two years; the companies adopt the form of a limited company, subject to corporate tax without being exempted.

Application of double taxation treaties for non-resident holders of Shares (individuals, legal entities, or any other foreign entities)

The 16% dividend withholding tax imposed by the Romanian tax legislation may be reduced or eliminated subject to the country of residence of the non-resident holder of Shares (individual or legal entity) pursuant to double taxation treaties (if any) in force between Romania and the country of residence of the non-resident holder of Shares.

To take benefit of the provisions of the double taxation treaties, a non-resident holder of Shares is required to provide, in original or legalised copy, together with an authorised translation in Romanian language, the tax residence certificate issued by the tax authority from the relevant country or another document issued by an authority (other than the tax authority) which has responsibilities in residence certification, according to the internal legislation of the relevant country, which should be valid for the year in which the income is derived. In the absence of a tax residence certificate at the time of payment of dividends, the Romanian dividend withholding tax would apply at its full tax rate. The non-resident holder of Shares may provide the tax residence certificate within the legal statute of limitation period (five years) following the date of payment of dividends to be able to claim a refund in connection with overpaid amount of tax (if any). The refund should be requested by the dividend recipient from the company which paid the dividends by submitting a request to the latter within the legal statute of limitation period (five years).

Payment of dividends (if any) on the GDRs may be subject to Romanian withholding tax

Considering that, in accordance with Romanian law, a Romanian legal entity pays dividends to the GDR Depositary, in proportion to its holdings, under the same terms and conditions and in accordance with the same procedure as in the case of other shareholders, the dividends paid to the GDR Depositary are subject to taxation at a rate of 16%, according to the Fiscal Code. However, the beneficiary of dividends may be eligible for withholding tax exemptions or reductions, depending on the applicable double taxation treaty provisions. Such exemptions or reductions for beneficial owners of dividends are not specifically provided for under fiscal legislation and the tax environment in Romania can be unpredictable while fiscal provisions and their interpretation may be subject to change in the future, potentially with retrospective effect. Although in Romania the beneficial ownership rules and concepts are not clear and not strictly enforced, care should nevertheless be taken as to who the beneficial owners of the dividends are, as on the medium to long term this may prove to be important.

Declaration and payment of tax on dividends

The dividend tax is declared and paid to the Romanian State budget until the 25th day of the month, inclusively, following the month in which the dividend is paid. If the dividends distributed were not paid until the end of the year when the annual financial statements were approved, the related dividend tax is paid until 25 January of the following year. The Romanian company which pays the dividends is obliged to withhold, declare and pay the withheld dividend tax to the Romanian State budget.

Taxation of capital gains

Tax rate

Capital gains realised by legal entities or individuals from the sale of Shares are subject to a tax rate of 16% in Romania. Capital losses can be carried forward for a period of maximum 7 consecutive tax years. The carry-back of the capital losses is not allowed in Romania.

Exemption

Capital gains derived by undertakings for collective investment in transferable securities (e.g. including Shares or GDRs) without legal personality from the transfer of Shares are not taxable in Romania.

Application of double taxation treaties

Capital gains tax imposed to non-residents by the Romanian tax legislation may be reduced to zero by virtue of a double taxation treaty entered into between Romania and the country of residence of the seller of the Shares. To be protected by the provisions of a double taxation treaty, a non-resident seller of Shares must obtain a tax residence certificate issued by the tax authorities of its country of residence which should be valid for the year in which capital gains were realised. In the absence of a tax residence certificate at the time of realising capital gains from selling Shares, the Romanian profit tax (for non-resident legal entities) or capital gain income tax (for non-resident individuals) of 16% would apply to the gains realized. The non-resident seller of Shares may provide the tax residence certificate within the statute of limitation period provided by Romanian law in order to be able to claim refund in connection with the overpaid amount of tax (if any).

Nevertheless, there are circumstances when certain double taxation treaties signed by Romania with certain countries do not provide for protection against the Romanian capital gains tax. For instance, such a circumstance occurs when the income is obtained by a non-resident pursuant to the sale of shares held in a company whose assets consist entirely or mainly (at least 50% of their value), either directly or through one or several companies, of real estate property located in Romania.

Declaration and payment of capital gains tax by resident or non-resident individuals

Resident individuals realising capital gains from the sale of shares in Romanian listed companies (including the Shares) are required to file with the competent tax body an annual tax return with respect to the capital gains realised in the respective year by 25 May (inclusively) of the following year. Based on such return, the competent tax body establishes the annual tax amount due, by applying the tax rate to the taxable income obtained as a result of the transfer of shares in listed companies. The above rules are also applicable for non-resident individuals, holders of Shares, which should appoint a proxy in order to fulfil the obligations to pay and submit tax declarations in connection with capital gains tax amounts due in Romania. As an exception, residents in the EU, European Economic Area or any country which is part of an international legal instrument signed by Romania for fiscal administrative cooperation and recovery of tax liabilities are not obliged to appoint a proxy, but they still need to fulfil their tax compliance requirements in Romania.

Declaration and payment of capital gains tax by Romanian legal entities

Capital gains realised by a Romanian company from the sale of shares in another Romanian company (including the Shares) shall be part of the company's overall taxable result (profit or loss) and shall be subject to profit tax. As a rule, the declaration and payment of the profit tax is made on a quarterly basis, until the 25th day inclusively, of the first month subsequent to the end of the I-III quarters; the completion and payment of the profit tax related to the relevant fiscal year is made until 25 March, inclusively, of the following year, which is the deadline for the submission of the annual profit tax return.

Starting on 1 January 2013, the taxpayers may choose to declare and pay the annual profit tax by quarterly prepayments. The deadline for the payment of the annual profit tax is the deadline for the submission of the profit tax return.

Exemption available under Romanian legislation

Starting 1 January 2014, income derived further to the disposal of shares would be tax exempt, provided that the following conditions are fulfilled at the date of the transaction:

- the seller is a Romanian legal entity or a foreign legal entity registered in a country which has a double taxation treaty with Romania;
- the seller held at least 10% of the share capital;
- the shareholding is held for at least 1 year.

The expenses incurred for the purpose of obtaining the income which qualifies for the above mentioned exemption would be deemed as non-deductible expenses for Romanian profits tax purposes.

Declaration and payment of capital gains tax by foreign legal entities

The administrative procedure regarding the declaration and payment of capital gains tax due in Romania may differ, subject to identity of the purchaser of Shares. If the purchaser of Shares is a foreign legal entity or an individual (resident or non-resident), the non-resident seller of Shares must obtain a tax registration number for declaration and payment of the capital gains tax to the Romanian tax authorities. The formalities regarding declaration and payment of the profit tax are similar to the formalities applicable to Romanian legal entities. Non-resident sellers of Shares should appoint a proxy in Romania in order to comply with these obligations. As an exception, residents in the EU, European Economic Area or any country which is part of an international legal instrument signed by Romania for fiscal administrative cooperation and recovery of tax liabilities are not obliged to appoint a proxy, but they still need to fulfil their tax compliance requirements in Romania.

If the purchaser of Shares is a Romanian company or a non-Romanian company which has a permanent establishment in Romania at the moment of the transaction, the obligation to calculate, withhold, declare and pay the capital gains tax due in Romania by the non-resident seller is borne by the purchaser, and not by the non-resident seller, however the non-resident seller has to declare and pay the annual profit tax until 25 March, inclusively, of the following year, taking into consideration as applicable the profit tax withheld by the purchaser according to the rule mentioned above. If the non-resident seller relies on the provision of a double taxation treaty in respect of Romanian capital gains tax, it must provide the tax residence certificate (which entitles the non-resident seller to invoke the double taxation treaty protection) to the purchaser (where the purchaser is a Romanian company or a foreign company which has a permanent establishment in Romania at the moment of the transaction) or to the Romanian proxy appointed by the seller (where the purchaser is a foreign company or a resident or non-resident individual).

Taxation of capital gains related to GDRs

Income in the form of capital gains related to the transfer of GDRs issued by a non-resident and traded on a foreign capital market obtained by Romanian legal entities is subject to the profit tax of 16%. The declaration and payment of tax observes the rules described under section "Declaration and payment of the capital gains tax by Romanian legal entities" above.

Income in the form of capital gains related to the transfer of GDRs issued by a non-resident and traded on a foreign capital market obtained by resident individuals is subject to the income tax of 16%. The declaration and payment of tax observes the rules described under section "Declaration and payment of the capital gains tax by resident and non-resident individuals" above.

Capital gains obtained by foreign legal entities (except for foreign legal entities performing activities in Romania through a permanent establishment to which the respective capital gains are attributable or through a joint venture with or without legal capacity which obtains the respective capital gains and having the capital gains attributable to their share of taxable profit) or by non-resident individuals as a result of the transfer of GDRs issued by a non-resident and traded on a foreign capital market are not subject to taxation in Romania.

For all the situations mentioned above, the provisions of the double taxation treaties entered into by Romania and the State of residence of the beneficiary of the capital gains shall be considered.

Value Added Tax

According to Romanian VAT law, the transfers of shares and/or GDRs are VAT exempt operations without deduction right. Thus, no Romanian VAT should be incurred in relation to these transactions.

United Kingdom taxation

The following is a general summary of certain UK tax considerations relating to the ownership and disposal of the GDRs and does not address all possible tax consequences relating to an investment in the GDRs. The comments below are of a general nature and are based on current UK law as applied in England and Wales (except where otherwise indicated) and the Fund's understanding of the practice of H.M. Revenue & Customs ("**HMRC**") as at the date of this Prospectus, each of which is subject to change, possibly with retroactive effect. The summary only covers the principal UK tax consequences for the absolute beneficial owners of the GDRs (and any dividends paid in respect of them) in circumstances where the dividends paid are regarded for UK tax purposes as those persons' own income (and not the income of some other person) and who: (i) are resident and, in the case of individuals, domiciled solely in the UK for tax purposes (except where otherwise indicated); and (ii) do not have a permanent establishment or a fixed base outside the UK with which the holding of the GDRs (and the payment of dividends in respect of the GDRs) is connected. Such absolute beneficial owners of the GDRs are referred to in this summary as "**UK GDR Holders**".

In addition, this summary only addresses the principal UK tax consequences for UK GDR Holders who hold the GDRs as capital assets or investments. It does not address the UK tax consequences that may be relevant to certain categories of UK GDR Holders, for example, brokers, dealers or traders in shares, securities or currencies, banks, financial institutions, insurance companies, investment companies, collective investment schemes, tax-exempt organisations, persons holding the GDRs as part of hedging or conversion transactions or persons connected with the Fund or who are or have been officers or employees of the Fund, each of which may be subject to special rules.

Further, the summary assumes that: (i) a UK GDR Holder is for UK tax purposes and under US federal and state law, absolutely beneficially entitled to the underlying Shares and to the dividends on those Shares; (ii) the UK GDR Holder does not control or hold, either alone or together with one or more connected persons, directly or indirectly, 10% or more of the shares and/or voting power or rights to income or capital of the Fund; (iii) there will be no register in the UK in respect of an interest in the GDRs or in the underlying Shares; (iv) the underlying Shares and the GDRs will not be held, or issued, as applicable, by a depositary incorporated in the UK; and (v) neither the GDRs nor the underlying Shares will be paired with shares issued by a body corporate incorporated in the UK.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular holder. You should satisfy yourself as to the overall tax consequences including the consequences under UK law and HMRC's practice and, if you are subject to taxation in a jurisdiction other than the UK, the consequences under the laws of such jurisdiction of acquisition, ownership and disposition of the GDRs in your own particular circumstances, by consulting your own tax advisers.

Taxation of Dividends

Withholding Tax

Dividend payments in respect of the GDRs should not be subject to UK withholding tax. UK GDR Holders are referred to the statements regarding Romanian tax in "*Romanian Tax Considerations—Taxation of dividends*" above. The following paragraphs proceed on the basis that withholding tax will be levied in Romania on dividend payments in respect of the GDRs.

Credit for Romanian withholding tax

If a UK GDR Holder receives a dividend in respect of the GDRs and the dividend is paid subject to Romanian withholding tax, credit for such Romanian withholding tax may be available for set-off against a liability to UK corporation tax or UK income tax on the dividend. The amount of such credit will normally be equal to the lesser of the amount withheld and the liability to UK tax (if any) on the dividend. Such credit will not normally be available for set-off against a UK GDR Holder's liability to UK tax other than on the dividend and, to the extent that such credit is not set-off against UK tax on the dividend, the credit will be lost. Credit will not be available to the extent that the Romanian withholding tax can be minimised or repaid by taking reasonable steps under a double tax treaty or a provision of Romanian Tax law (see section "*Romanian Tax Considerations—Taxation of dividends*" above).

Individual UK GDR Holders

An individual UK GDR Holder who receives a dividend in respect of the GDRs will generally be entitled to a tax credit which may be set off against his total income tax liability on the dividend. Such an individual UK GDR Holder's liability to income tax is calculated on the aggregate of the dividend before deduction of any Romanian withholding tax (if any) and the tax credit (the "gross dividend") which will be regarded as the top slice of the individual's income. The tax credit will be equal to 10% of the gross dividend. Where the tax credit exceeds the individual UK GDR Holder's tax liability in respect of the gross dividend, the individual UK GDR Holder cannot claim payment from HMRC in respect of any part of the tax credit.

An individual UK GDR Holder who is liable to income tax at a rate not exceeding the basic rate will be subject to income tax on the dividend at the rate of 10% of the gross dividend so that the tax credit will satisfy in full such individual UK GDR Holder's liability to income tax on the dividend.

An individual UK GDR Holder who is liable to income tax at the higher rate will be subject to income tax on the gross dividend at 32.5% to the extent that such sum, when treated as the top slice of such individual UK GDR Holder's income, falls above the threshold for higher rate income tax. However, such individual UK GDR Holder will be able to set the tax credit off against part of this liability. The effect of that set-off of the tax credit is that an individual UK GDR Holder who is liable to income tax on the dividend wholly at the higher rate will have to account for additional tax equal to 22.5% of the gross dividend (which is also equal to 25% of a cash dividend paid, before deduction of Romanian withholding tax) subject to credit for Romanian withholding tax (if any) which, as discussed above, may be available for set-off against a liability to UK income tax on the dividend.

An individual UK GDR Holder liable to income tax at the additional rate will be subject to income tax on the gross dividend at 37.5% to the extent that such sum, when treated as the top slice of such individual UK GDR Holder's income, falls above the threshold for additional rate income tax. However, such individual UK GDR Holder will be able to set the tax credit off against part of this liability. The effect of that set-off of the tax credit is that an individual who is liable to income tax on the dividend wholly at the additional rate would have to account for additional tax equal to 27.5% of the gross dividend (which is also equal to approximately 30.56% of the cash dividend paid, before deduction of Romanian withholding tax) subject to credit for any Romanian withholding tax (if any) which, as discussed above, may be available for set-off against a liability to UK income tax on the dividend.

Corporate UK GDR Holders

A corporate UK GDR Holder which is a "small company" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will not be subject to UK corporation tax on any dividend received from the Fund provided certain conditions are met (including an anti-avoidance condition). Other corporate UK GDR Holders will not be subject to UK corporation tax on any dividend received from the Fund so long as the dividends fall within an exempt class and certain conditions are met. For example, (i) dividends paid on shares that are not redeemable and do not carry any present or future preferential rights to dividends or to a company's assets on its winding up, and (ii) dividends paid to a person holding less than a 10% interest in the Fund, should generally fall within an exempt class. However, the exemptions mentioned above are not comprehensive and are subject to anti-avoidance rules. If the conditions for exemption are not met or cease to be satisfied, or such a corporate UK GDR Holder elects an otherwise exempt dividend to be taxable, the UK GDR Holder will be subject to UK corporation tax on dividends received from the Fund, at the rate of corporation tax applicable to that corporate UK GDR Holder (currently 20% with effect from 1 April 2015).

Provision of information

Persons paying "foreign dividends" to, or receiving "foreign dividends" on behalf of, another person may in certain circumstances (and on receipt of a notice form HMRC) be required to provide certain information to HMRC regarding the identity of the payee or person entitled to the "foreign dividend". In certain cases, such information may be exchanged with tax authorities in other countries.

Taxation of Capital Gains

The disposal or deemed disposal of all or part of the GDRs may give rise to a chargeable gain or an allowable loss for the purposes of UK capital gains tax (where the UK GDR Holder is an individual) or UK corporation tax on chargeable gains (where the UK GDR Holder is within the charge to UK corporation tax), depending on their circumstances and subject to any available exemption or relief.

Individuals

As regards individual UK GDR Holders, the principal factors that will determine the extent to which such gain will be subject to UK capital gains tax are the extent to which they realise any other capital gains in the tax year in which the disposal takes place, the extent to which they have incurred capital losses in that or any earlier tax year and the level of the annual allowance of tax-free gains in that tax year (the "*annual exemption*"). The annual exemption for individuals is £11,000 for the 2014/2015 tax year, increasing to £11,100 for the 2015/2016 tax year. If, after all allowable deductions, an individual UK GDR Holder's taxable income for the year exceeds the basic rate income tax limit, a taxable capital gain accruing on a disposal of GDRs will be taxed at 28%. In other cases, a taxable capital gain accruing on a disposal of GDRs may be taxed at 18% or at a combination of 18% (on the portion of the gain falling within the basic rate income tax limit) and 28% (on the portion of the gain exceeding the basic rate income tax limit).

An individual UK GDR Holder who ceases to be resident in the United Kingdom or falls to be regarded as resident in a territory outside the UK for the purposes of double taxation relief arrangements (as appropriate) for a period of less than five years and who disposes of his or her GDRs during that period of temporary non-residence may be liable to UK capital gains tax on a chargeable gain accruing on such disposal on his or her return to the UK or upon ceasing to be regarded as resident outside the UK for the purposes of double taxation relief arrangements (as applicable) (subject to available exemptions or reliefs).

Companies

A disposal or deemed disposal of GDRs by a UK GDR Holder within the charge to UK corporation tax may give rise to a chargeable gain or allowable loss for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemptions or reliefs. Corporation tax is charged on chargeable gains at the rate applicable to that UK GDR Holder (currently 20% with effect from 1 April 2015). UK GDR Holders within the charge to UK corporation tax will, for the purposes of computing chargeable gains, be allowed to claim an indexation allowance which applies to reduce capital gains (but not to create or increase an allowable loss) to the extent that such gains arise due to inflation.

Credit for Romanian capital gains tax

If a UK GDR Holder suffers Romanian capital gains tax on the disposal or deemed disposal of the GDRs and such Romanian capital gains tax is paid, credit for such Romanian capital gains tax may be available for set-off against a liability to UK corporation tax or UK capital gains tax. The amount of such credit will normally be equal to the lesser of the amount of Romanian capital gains tax paid and the liability to UK corporation tax or UK capital gains tax (if any) in respect of the chargeable gain. Such credit will not normally be available for set-off against a UK GDR Holder's liability to UK tax other than on the chargeable gain and, to the extent that such credit is not set-off against UK tax on the chargeable gain, the credit will be lost. Credit will not be available to the extent that the Romanian capital gains tax can be minimised or repaid by taking reasonable steps under a double tax treaty or a provision of Romanian Tax law (see section "*Romanian Tax Considerations—Taxation of capital gains*" above).

Stamp Duty and Stamp Duty Reserve Tax

The following statements about UK stamp duty and stamp duty reserve tax (SDRT) apply regardless of whether or not a GDR Holder is resident in the UK. No SDRT should be payable on the issue of the Shares or an agreement to transfer the Shares. No stamp duty should be payable on the issue or a transfer of the Shares provided that (i) any instrument of transfer is not executed inside the UK, and (ii) such instrument of transfer does not relate to any property situated, or any matter or thing done or to be done, in the UK. Neither stamp duty nor SDRT should be payable on the issue of the GDRs nor on any transfer of, or any agreement to transfer, the GDRs that is effected in electronic book entry form in accordance with the procedures of Euroclear or Clearstream, Luxembourg.

SELLING AND TRANSFER RESTRICTIONS

The distribution of this Prospectus in certain jurisdictions may be restricted by law and, therefore, persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set out in the paragraphs which follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the GDRs, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the GDRs may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the GDRs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction.

Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer, subscription and sale of the GDRs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or buy any of the GDRs to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

SETTLEMENT AND TRANSFER

GDRs settlement and transfer

Custodial and depositary links have been established between Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the GDRs and cross-market transfers of the GDRs associated with secondary market trading.

The Clearing Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective clients may settle trades with each other. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of dividends and other payments with respect to book-entry interests in the GDRs held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the GDR Depositary, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Registration and form

Book-entry interests in the GDRs held through Euroclear and Clearstream, Luxembourg will be represented by the Master GDR registered in the name of The Bank of New York Depository (Nominees) Limited, as nominee for The Bank of New York Mellon, London Branch, as common depositary for Euroclear and Clearstream, Luxembourg. Beneficial ownership in the GDRs will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

The aggregate holdings of book-entry interests in the GDRs in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream, Luxembourg, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interest in the GDRs, will be responsible for establishing and maintaining accounts for their participants and clients having interests in the book-entry interests in the GDRs. The GDR Depositary will be responsible for maintaining a record of the aggregate holdings of GDRs registered in the name of the common depositary for Euroclear and Clearstream, Luxembourg. The GDR Depositary will be responsible for ensuring that payments received by it from the Fund for GDR Holders holding through Euroclear or Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg as the case may be.

The Fund will not impose any fees in respect of the GDRs; however, holders of book-entry interests in the GDRs may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream, Luxembourg and certain fees and expenses payable to the GDR Depositary in accordance with the terms of the GDR Deposit Agreement and the GDR Terms and Conditions. See "*Terms and Conditions of the Global Depositary Receipts*".

Global clearance and settlement procedures

Initial settlement

The GDRs will be in global form evidenced by the Master GDR. Investors electing to hold book-entry interests in GDRs through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to depositary receipts.

Secondary market trading

Trading between Euroclear and Clearstream, Luxembourg participants

Secondary market sales of book-entry interests in the GDRs held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the GDRs through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear or Clearstream, Luxembourg and will be settled using the normal procedures applicable to depositary receipts.

General

Although the foregoing sets forth the procedures of Euroclear and Clearstream, Luxembourg in order to facilitate the transfers of interests in the GDRs among participants of Euroclear and Clearstream, Luxembourg, neither Euroclear or Clearstream, Luxembourg are under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Fund, Jefferies, the GDR Depositary, the GDR Custodian or their respective agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations.

INFORMATION RELATING TO THE GDR DEPOSITARY

The GDR Depositary is a state-chartered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Banking Department. The GDR Depositary was constituted in 1784 in the State of New York. It is a wholly-owned subsidiary of The Bank of New York Mellon Corporation, a Delaware bank holding company. The principal office of the GDR Depositary is located at One Wall Street, New York, NY 10286. Its principal administrative offices are located at 101 Barclay Street, New York, NY 10286. A copy of the GDR Depositary's articles of association, as amended, together with copies of The Bank of New York Mellon Corporation's most recent quarterly financial statements and annual report are available for inspection at www.bnymellon.com or the principal office of the GDR Depositary located at One Wall Street, New York, NY 10286 and at The Bank of New York Mellon, One Canada Square, London E14 5AL.

LEGAL MATTERS

Certain legal matters in connection with the Admission will be passed upon for the Fund with respect to English law by Clifford Chance LLP and with respect to Romanian law by Clifford Chance Badea SCA.

Certain legal matters in connection with the Admission will be passed upon for Jefferies with respect to English law by Ashurst LLP.

INDEPENDENT AUDITORS

Deloitte Audit SRL, independent auditors, has audited the financial statements of the Fund as of and for the year ended 31 December 2014 (including 2013 restated comparative financial information), separate and consolidated financial statements for the years ended 31 December 2013 and 2012 and provided unqualified audit opinions on those financial statements, while emphasising certain matters, as follows:

- During 2012 a number of major economies around the world had experienced strong volatility in the capital markets and severe restrictions in the credit markets and, if they continued in the future, the Fund's assets may not be recovered at their carrying amount in the ordinary course of business; a potential corresponding impact on the Fund's profitability could not be assessed.

- Also, in Notes 18 (e) and 19 to the Fund's 2014 financial statements, Notes 19 (e) and 20 to the Fund's 2013 separate financial statements and Notes 20 (e) and 21 to the 2013 consolidated financial statements and Note 23 to the Fund's 2012 separate financial statements and Note 22 to the 2012 consolidated financial statements, the auditor included an emphasis of matter regarding the fact that, as at 31 December 2014, 31 December 2013 and 31 December 2012, respectively, the Fund had several unsettled legal proceedings which were at different stages with the Romanian courts and that the Fund was in the process of addressing certain regulatory matters with the relevant Romanian authorities for which the ultimate outcome and related impact of those legal risks was uncertain.

Deloitte Audit SRL is registered with the Trade Registry under no. J40/6775/1995 having Sole Registration Code 7756924, and is member of the Chamber of Financial Auditors of Romania, being registered in the Public Registry of Financial Auditors.

GENERAL INFORMATION

1. Admission and Trading

It is expected that the GDRs will be admitted, subject only to the issue of the Master Regulation S GDR, to trading on the Specialist Fund Market of the London Stock Exchange on or around 29 April 2015 ("**Admission**"). Transactions in GDRs will normally be effected for delivery on the third working day after the day of the transaction.

2. Authorisations

The Fund has obtained all consents, approvals and authorisations in Romania in connection with Admission.

3. Documents Available for Inspection

Copies of the following documents will be available for inspection free of charge, during normal business hours on any weekday, at the registered offices of the Fund from the date of publication of this Prospectus to Admission:

(a) this Prospectus;

(b) the Fund's Articles of Association;

(c) the Audited Financial Statements, including the independent auditor's reports thereon; and

(d) Audited Consolidated Financial Statement, including the independent auditor's reports thereon

The registered office of the Fund is located at 78-80 Buzesti Street, 7th floor Bucharest 011017 Romania.

4. Security Codes

The GDR Common Code is 121643294; the GDR ISIN is US34460G1067; the GDR CUSIP is 34460G 106; the GDR SEDOL is BWV69Y7; and the London Stock Exchange GDR trading symbol is "FP.".

5. GDR Depositary

GDR Holders may contact The Bank of New York Mellon, as GDR Depositary with questions relating to the transfer of GDRs on the books of the GDR Depositary, which shall be maintained at the GDR Depositary's office with a copy to: The Bank of New York Mellon, 101 Barclay Street, New York, New York 10286, United States of America.

If definitive certificates are issued in exchange for the Master GDR, the Fund will appoint an agent in the United Kingdom.

6. Significant Change

There has been no significant change in the financial or trading position of the Fund since 31 December 2014, the end of the last financial period for which financial information has been published.

7. Significant subsidiaries

As of the date of this Prospectus, the Fund has the following significant subsidiaries:

Name	Proportion of ownership interest and voting rights
	Listed companies
Alcom S.A.	71.89%
Primcom S.A	76.03%
	Unlisted companies
Comsig S.A.	69.94%
Zirom S.A.	100.00%

These entities qualify as "subsidiaries" of the Fund due to level of shareholding; however, they are managed independently. Before 31 December 2013 the financial statements of these entities were not consolidated by the Fund, the effect of their consolidation to the Fund being considered immaterial. From 1 January 2014, based on the exception to the general principle in IFRS 10 "Consolidated Financial Statements" introduced by the Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities), the Fund no longer consolidates its subsidiaries or prepares consolidated financial statements.

Alcom S.A. is a joint-stock company incorporated in Romania and listed on the RASDAQ Market of the Bucharest Stock Exchange (currently in the process of listing on the alternative trading system managed by the Bucharest Stock Exchange following Decision 532/25.03.2015 of the FSA). Alcom S.A. rents commercial spaces that it owns in Timisoara to third parties.

Primcom S.A. is a joint-stock company incorporated in Romania and listed on the RASDAQ Market of the Bucharest Stock Exchange. In February 2015 the general shareholders meeting approved the company's transfer on the alternative trading system (Aero) managed by the Bucharest Stock Exchange. Currently the transfer procedure is ongoing and it's estimated to be completed by end of May 2015. Primcom S.A. took over the real estate assets of the former state-owned "Alimentara" greengrocery shops in Bucharest. In 2012 Primcom S.A. merged by absorption with other two companies controlled by the Fund (Delfincom S.A. and Prestari Servicii S.A.) which used to have similar activities. Currently the company's main activity is leasing out its own real estate assets, which are mainly commercial spaces.

Comsig S.A. is a joint-stock company incorporated in Romania. Its main activity consists of renting commercial spaces that it owns in Sighisoara to third parties.

Zirom S.A. is a joint-stock company incorporated in Romania. The company produces titanium and titanium alloys ingots for aero, industrial and medical applications using as raw materials both titanium sponge and titanium scrap. The company is in the process of diversifying its product range, having recently commissioned a forging shop.

DEFINITIONS AND GLOSSARY OF SELECTED TERMS

Accounting Regulation	Regulation no.4/2011 of the NSC regarding accounting rules compliant with the IVth EU Directive applicable to the entities authorised, regulated and supervised by the NSC, as subsequently amended and supplemented.
ANRE	National Regulatory Agency in Energy Sector
ANRM	National Agency for Mineral Resources.
Articles of Association	The Fund's articles of association, in force and updated at 27 January 2015
Board of Nominees	The supervisory body created by the Fund, in accordance with its articles of association and Government Decision no. 1514/2008.
Brussels I Regulation (recast)	Regulation (EU) No 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast) of 12 December 2012
Bucharest Stock Exchange	Bucharest Stock Exchange.
Capital Markets Law	Romanian Law no. 297/2004 regarding capital markets as subsequently amended and supplemented.
Central Eastern European Country	A country from the Central and Eastern European market which includes Estonia, Latvia, Lithuania, Poland, Germany, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Slovenia, Croatia, Albania, Serbia, Bosnia-Herzegovina, Montenegro, Kosovo and Macedonia.
Companies Law	Romanian Companies Law no. 31/1990 as subsequently amended and supplemented.
Custodian	BRD-Groupe Societe Generale S.A.
EC	European Commission.
EEA	European Economic Area.
EGMS	Extraordinary general meeting of the shareholders.
EU	European Union.
EUR	Currency of the European Union.
FSA	Romanian Financial Supervisory Authority.
Fund	Fondul Proprietatea S.A.
Fund Manager	Franklin Templeton Investment Management Limited, United Kingdom, Bucharest Branch, acting as investment company for the Fund.
Fund's Regulation	Regulation no. 4/2010 of the NSC regarding the registration of the Fund with the NSC the operation of the Fund, and the trading of the Fund's shares, as subsequently amended and supplemented.
GDP	Gross Domestic Product.
GDR	Global Depositary Receipts which represent the Shares.
GDR Custodian	Raiffeisen Bank S.A.
GDR Deposit Agreement	The deposit agreement to be dated on or around 27 April 2015 between the Fund and the GDR Depositary.
GDR Depositary	The Bank of New York Mellon.
GMS	General meeting of the shareholders.
Hidroelectrica	Hidroelectrica S.A.
IAS	International Accounting Standards.

IFRS	International Financial Reporting Standards.
Investment Management Agreement	The Investment Management Agreement between the Fund and the Fund Manager, as approved by the Fund's OGMS on 23 September 2014.
Law 151/2014	Law no. 151/2014 on the clarification of the legal status of the shares traded on RASDAQ Market or on the unlisted securities market.
Law 247/2005	Title VII of Law no. 247/2005 regarding the reforms in the sectors of justice and property as well as certain related measures, with the subsequent amendments.
Lugano Convention	Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters signed on 30 October 2007 by the European Community, along with Denmark, Iceland, Norway and Switzerland and entered into force on 1 January 2010.
Master GDR	Master Regulation S Global Depositary Receipt evidencing the Regulation S GDRs.
NBR	National Bank of Romania.
NSC	National Securities Commission (currently merged into the FSA).
OGMS	Ordinary general meeting of the shareholders.
OMV Petrom	OMV Petrom S.A., a Romanian joint stock company, listed on the Bucharest Stock Exchange, registered with the Bucharest Trade Registry Office under number J40/8302/1997, having its corporate seat in Bucharest, Romania and its business address at 22 Coralilor Street, 1st District, Bucharest 013329, Romania.
Parent Subsidiary Directive	Directive 2011/96/EU.
Prospectus	This document (including all annexes).
Prospectus Directive	Directive 2003/71/EC as amended including by Directive 2010/73/EU and any relevant implementing measure in each Relevant Member State.
Regulation 15/2004	Regulation no. 15/2004 of the NSC regarding the authorisation and operation of the investment management companies, of the undertakings for collective investments and of the depositories, as subsequently amended.
Regulation S	Regulation S of the Securities Act.
Regulation S GDRs	The GDRs offered and sold outside the United States.
Relevant Implementation Date	The date on which the Prospectus Directive is implemented in a relevant member state.
Relevant Member State	Each member state of the EEA that has implemented the Prospectus Directive.
Reporting entity	The entity that is preparing its financial statements.
Romanian Central Depositary	Depozitarul Central S.A.
Romgaz	Societatea Nationala de Gaze Naturale "Romgaz" S.A.
RON	Romanian Lei.
SDRT	Stamp duty reserve tax.
SEC	The United States Securities and Exchange Commission.
Securities Act	U.S. Securities Act of 1933, as amended.
Shares	The ordinary shares of the Fund.

Sole Director	Franklin Templeton Investment Management Limited, United Kingdom, Bucharest Branch, acting as sole director of the Fund.
Sole UK Financial Adviser or Jefferies	Jefferies International Limited.
UK	United Kingdom.
UK GDR Holders	The absolute beneficial owners of the GDRs (and any dividends paid in respect of them) in circumstances where the dividends paid are regarded for UK tax purposes as those persons' own income (and not the income of some other person) and who: (i) are resident and, in the case of individuals, domiciled solely in the UK for tax purposes (except where otherwise indicated); and (ii) do not have a permanent establishment or a fixed base outside the UK with which the holding of the GDRs (and the payment of dividends in respect of the GDRs) is connected.
US	United States of America.

INDEX TO FINANCIAL STATEMENTS

FONDUL PROPRIETATEA S.A.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2014

Prepared in accordance with International Financial Reporting Standards

(This is a translation from the official Romanian version)

Contents

Deloitte.

Deloitte Audit SRL
Şos. Nicolae Titulescu nr. 4-8
Intrarea de est,
Etajul 2-zona Deloitte şi etajul 3
Sector 1, 011141, Bucureşti,
România

Tel.: +40 21 222 16 61
Fax: +40 21 222 16 60
www.deloitte.ro

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

1. We have audited the accompanying financial statements of Fondul Proprietatea S.A. (the "Fund") which comprise the statement of financial position as of December 31, 2014, and the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurances about the financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Fondul Proprietatea S.A. as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

7 We draw attention to Notes 18 (e) and 19 to the financial statements. As at December 31, 2014 the Fund has several unsettled litigations which are at different stages with the Romanian courts. Some of the legal requirements relevant to the Fund and their implementation into practice may contradict and are subject to different legal interpretations by various regulatory authorities in Romania. Therefore, any change in interpretation increases legal risks for the Fund. The ultimate outcome and related impact of these legal and regulatory risks on the financial statements is uncertain. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified in respect of these matters.

Other Matters

9. This report is made solely to the Fund's Sole Director and shareholders, as a body. Our audit work has been undertaken so that we might state to the Fund's Sole Director and shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund, the Fund's Sole Director and shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

For signature, please refer to the original Romanian version.

Deloitte Audit S.R.L.
Bucharest, Romania
February 16, 2015

STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

	Note	**Year ended 31 December 2014**	**Year ended 31 December 2013 As restated**
Gross dividend income	*7*	687,411,023	652,380,173
Gain on disposal of equity investments available for sale, net	*8*	645,546,303	115,106,096
Interest income		20,896,979	36,143,817
Reversal of impairment losses on receivables, net		19,581,829	37,674,370
Net gain/ (loss) from equity instruments at fair value through profit or loss	*9*	(604,219,630)	422,350,522
Impairment losses on equity investments available for sale	*15*	(344,087,673)	(835,772,382)
Net foreign exchange gains / (losses)		(823,827)	34,102
Other income /(expenses), net		(6,072,824)	3,910,032
Net operating income		**418,232,180**	**431,826,730**
Operating expenses	*10*	**(113,641,656)**	**(88,427,445)**
Profit before income tax		**304,590,524**	**343,399,285**
Income tax (expense)/ benefit	*11*	122,595,766	(382,143,213)
Profit/ (Loss) for the period		**427,186,290**	**(38,743,928)**
Other comprehensive income			
Net change in fair value of available for sale equity investments		616,204,928	4,066,505,032
Deferred tax on other comprehensive income		7,806,738	16,887,972
Decrease in fair value reserve following the disposal of available for sale equity investments	8	(616,774,944)	(200,205,152)
Total other comprehensive income		**7,236,722**	**3,883,187,852**
Total comprehensive income for the period		**434,423,012**	**3,844,443,924**
Basic and diluted earnings per share		**0.0321**	**(0.0028)**

The financial statements were authorised for issue on 16 February 2015 by:

Grzegorz Maciej Konieczny
as Legal Representative on behalf of
Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch
acting in the capacity of Sole Director of Fondul Proprietatea S.A.

The notes on pages 122 to 168 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

	Note	**31 December 2014**	**31 December 2013**	**1 January 2013**
			As restated	**As restated**
Assets				
Cash and current accounts	*12*	6,879,129	5,552,477	1,857,628
Deposits with banks	*13*	109,424,930	232,110,013	317,309,452
Treasury bills	*14*	162,839,401	129,887,375	454,732,857
Government bonds	*14*	31,749,581	83,748,146	-
Dividends receivable		-	-	799,994
Equity investments	*15*	12,927,656,781	14,312,229,125	11,273,299,681
Deferred tax assets	*16*	152,678,949	342,189	362,918,773
Other assets		9,438,338	3,624,222	2,189,053
Total assets		**13,400,667,109**	**14,767,493,547**	**12,413,107,438**
Liabilities				
Other liabilities	*17*	52,794,086	42,268,236	21,064,179
Total liabilities		**52,794,086**	**42,268,236**	**21,064,179**
Equity				
Share capital	*18*	11,815,279,887	13,778,392,208	13,778,392,208
Fair value reserve on available for sale financial assets	*18*	4,020,355,472	4,013,118,750	129,930,898
Other reserves	*18*	610,197,299	312,558,751	278,451,032
Treasury shares	*18*	(1,189,918,464)	(1,095,093,250)	(120,268,583)
Retained earnings		(1,908,041,171)	(2,283,751,148)	(1,674,462,296)
Total equity		**13,347,873,023**	**14,725,225,311**	**12,392,043,259**
Total liabilities and equity		**13,400,667,109**	**14,767,493,547**	**12,413,107,438**

The notes on pages 122 to 168 are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available for sale financial assets	Other reserves	Treasury shares	Retained earnings / (Accumulated losses)	Total attributable to the equity holders of the Fund
Balance at 31 December 2012, as previously reported	**13,778,392,208**	**129,930,898**	**278,451,032**	**(120,268,583)**	**(1,981,186,506)**	**12,085,319,049**
Impact of changes in accounting policies	-	-	-	-	306,724,211	**306,724,211**
1 January 2013, as restated	**13,778,392,208**	**129,930,898**	**278,451,032**	**(120,268,583)**	**(1,674,462,295)**	**12,392,043,260**
Comprehensive income for the period						
Profit/ (Loss) for the period	-	-	-	-	(38,743,928)	**(38,743,928)**
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	4,066,505,032	-	-	-	**4,066,505,032**
Decrease in fair value following the disposal of available for sale equity investments	-	(200,205,152)	-	-	-	**(200,205,152)**
Deferred tax on income and expense recognised directly in equity	-	16,887,972	-	-	-	**16,887,972**
Total other comprehensive income	-	**3,883,187,852**	-	-	-	**3,883,187,852**
Total comprehensive income for the period	-	**3,883,187,852**	-	-	**(38,743,928)**	**3,844,443,924**
Transactions with owners, recorded directly in equity						
Transfer to other reseves	-	-	34,107,719	-	(34,107,719)	-
Acquisition of treasury shares	-	-	-	(974,824,667)	-	**(974,824,667)**
Dividends declared	-	-	-	-	(536,437,206)	**(536,437,206)**
Total transactions with owners recorded directly in equity	-	-	**34,107,719**	**(974,824,667)**	**(570,544,925)**	**(1,511,261,873)**
Balance at 31 December 2013, as restated	**13,778,392,208**	**4,013,118,750**	**312,558,751**	**(1,095,093,250)**	**(2,283,751,148)**	**14,725,225,311**

The notes on pages 122 to 168 are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available for sale financial assets	Other reserves	Treasury shares	Retained earnings / (Accumulated losses)	Total attributable to the equity holders of the Fund
Balance at 31 December 2013, as restated	**13,778,392,208**	**4,013,118,750**	**312,558,751**	**(1,095,093,250)**	**(2,283,751,148)**	**14,725,225,311**
Comprehensive income for the period						
Profit/ (Loss) for the period	-	-	-	-	427,186,290	**427,186,290**
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	616,204,928	-	-	-	**616,204,928**
Decrease in fair value following the disposal of available for sale equity investments	-	(616,774,944)	-	-	-	**(616,774,944)**
Deferred tax on income and expense recognised directly in equity	-	7,806,738	-	-	-	**7,806,738**
Total other comprehensive income	**-**	**7,236,722**	**-**	**-**	**-**	**7,236,722**
Total comprehensive income for the period	**-**	**7,236,722**	**-**	**-**	**427,186,290**	**434,423,012**
Transactions with owners, recorded directly in equity						
Decrease of the nominal value of the shares (note 18)	(676,904,370)	-	-	57,379,239	-	**(619,525,131)**
Transfer to other reseves			51,476,313		(51,476,313)	-
Acquisition of treasury shares	-	-	-	(1,192,250,169)	-	**(1,192,250,169)**
Cancellation of treasury shares	(1,286,207,951)	-	246,162,235	1,040,045,716	-	-
Total transactions with owners recorded directly in equity	**(1,963,112,321)**	**-**	**297,638,548**	**(94,825,214)**	**(51,476,313)**	**(1,811,775,300)**
Balance at 31 December 2014	**11,815,279,887**	**4,020,355,472**	**610,197,299**	**(1,189,918,464)**	**(1,908,041,171)**	**13,347,873,023**

The notes on pages 122 to 168 are an integral part of these financial statements.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

	Year ended 31 December 2014	Year ended 31 December 2013
Cash flows from operating activities		
Proceeds from sale of equity instruments	1,080,212,251	570,774,069
Acquisitions of treasury bills and bonds	(1,361,207,874)	(1,037,189,824)
Disposals and maturity of treasury bills and bonds	1,375,943,403	1,283,136,960
Dividends received (net of withholding tax)	682,066,477	696,286,935
Interest received	20,084,897	33,209,977
Suppliers and other taxes and fees paid	(109,633,840)	(78,792,523)
Creation of bank deposits with original maturities of more than three months	(25,000,000)	-
Income tax paid	(23,521,512)	-
Remunerations and related taxes paid	(1,130,718)	(968,578)
Realised foreign exchange gain / (loss) on cash and cash equivalents	(961,424)	3,330
Subscriptions to share capital increase of portfolio companies	-	(42,713,841)
Other receipts, net	1,301,247	1,439,583
Net cash flows from operating activities	**1,638,152,907**	**1,425,186,088**
Cash flows from financing activities		
Return of capital to shareholders	(589,890,948)	-
Acquisition of treasury shares	(1,188,701,549)	(974,824,667)
Dividends paid (including related taxes)	(5,975,898)	(530,673,777)
Net cash flows used in financing activities	**(1,784,568,395)**	**(1,505,498,444)**
Net decrease in cash and cash equivalents	**(146,415,488)**	**(80,312,356)**
Cash and cash equivalents at the beginning of the period	237,573,615	317,885,971
Cash and cash equivalents at the end of the period	**91,158,127**	**237,573,615**

	31 December 2014	31 December 2013
Cash	6,879,129	5,552,477
Bank deposits with original maturities of less than three months	84,278,998	232,021,138
	91,158,127	**237,573,615**

The notes on pages 122 to 168 are an integral part of these financial statements.

1. General information

Fondul Proprietatea SA (referred to as "Fondul Proprietatea" or "the Fund") is an undertaking for collective investments, in the form of a closed end investment company, established in accordance with Law 247/2005 regarding the reform in property and justice, as well as certain adjacent measure, as subsequently amended ("Law 247/2005") and registered in Bucharest on 28 December 2005. The address of the Fund's registered office is 78 - 80, Buzeşti Street, 7th Floor, District 1, Bucharest.

The Fund undertakes its activities in accordance with Law 247/2005, Law 297/2004 regarding the capital market, with subsequent amendments ("Law 297/2004"), and Law 31/1990 regarding companies, republished with subsequent amendments ("Law 31/1990") and it is an entity regulated and monitored by the Financial Supervisory Authority ("FSA"), former National Securities Commission ("CNVM").

In accordance with its Constitutive Act, the main activity of the Fund is the management and administration of its portfolio.

The Fund was established to allow the payment in shares equivalent of compensations in respect of abusive expropriations undertaken by the Romanian State during the communist period, when properties were not returned in kind.

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch ("Fund Manager" or "FTIML") was appointed on 29 September 2010 as the Fund Manager and Sole Director of the Fund and the mandate was renewed on 30 September 2014 for two years.

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

2. Basis of preparation

(a) Statement of compliance

These financial statements are the annual financial statements of Fondul Proprietatea prepared for the year ended 31 December 2014 in accordance with the International Financial Reporting Standards as adopted by European Union ("IFRS").

The purpose of the preparation of these financial statements in Romania is to comply with CNVM Instruction 6/2011 regarding the application of the International Financial Reporting Standards by the entities regulated and monitored by CNVM, as subsequently amended ("Instruction 6/2011"). According to the article 2 of the Instruction 6/2011, effective from 1 February 2012, the Fund has been required to prepare its separate IFRS financial statements. This regulation is transposing certain articles of Regulation (EC) 1606/2002 of the European Parliament and of the Council from 19 July 2002 on the application of International Financial Reporting Standards.

Due to the application of the Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities), being an investment entity, the Fund shall not consolidate its subsidiaries starting 1 January 2014. In consequence, the Fund will no longer prepare financial statements on consolidated basis effective for the year ended 31 December 2014, the separate financial statements being Fund's only financial statements.

(b) Basis of measurement

These financial statements have been prepared on the fair value basis for the main part of the Fund's assets, respectively equity investments, treasury bills and short-term government bonds, and on historical cost basis for the rest of the items included in the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Romanian Lei (RON), which is the Fund's functional currency. All financial information presented in RON has been rounded to the nearest unit.

2. Basis of preparation (continued)

(d) Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant impact on the amounts recognised in the financial statements is included in the following notes:

- Note 5 – Financial risk management;
- Note 10 – Operating expenses;
- Note 15 –Equity investments;
- Note 16 – Deferred tax assets;
- Note 17 – Other liabilities;
- Note 19 – Contingencies.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, with the exceptions stated in note 4.

In addition, the Fund reclassified certain items in the Statement of comprehensive income and Statement of cash flows for the year ended 31 December 2013 in order to be consistent with current period presentation.

Application of Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)

The Fund applied the *Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)* (the “Amendments”), starting 1 January 2014 when these Amendments became effective, after their adoption by the European Union.

After analysing the criteria presented in the Amendments, the management concluded that Fondul Proprietatea meets the definition of an investment entity. As a result, the Fund changed its accounting policies for investments in subsidiaries and associates, measuring them at fair value through profit or loss.

Please see note 4 for a detailed presentation of the changes in accounting policies.

(a) Subsidiaries and associates

Subsidiaries are entities controlled by the Fund. The Fund controls an investee when the Fund is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Associates are those entities in which the Fund has significant influence over the financial and operating policies, but not control or joint control. The existence of significant influence is determined, in each reporting period, by analysing the ownership structure of the companies in which the Fund holds 20% or more of the voting power of the investee, their articles of incorporation and the Fund’s power to participate in the financial and operating policy decisions of the investee.

However in situations where the Fund holds less than 20% of the voting power of an investee, it is a significant shareholder and demonstrates that it has significant influence through Board representation and participates in the policy making decisions, this investee is considered an associate.

The Fund does not exercise significant influence in a number of companies in which it holds between 20% and 50% of the voting power, where the Fund’s rights as minority shareholder are protective in nature, and not participative and where the major shareholder, or a group of shareholders holding majority ownership of the investee, operate without regard to the views of the Fund.

3. Significant accounting policies (continued)

(a) Subsidiaries and associates (continued)

As at 31 December 2014, the Fund had three portfolio companies which met these criteria for classification as associates (as at 31 December 2013: one portfolio company). The lists of subsidiaries and associates as at 31 December 2014 and 31 December 2013 are disclosed in note 20 (b) and (c).

Please see note 4 for a detailed presentation of the application of the Amendments.

(b) Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Fund at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

The exchange rates of the main foreign currencies, published by the National Bank of Romania at 31 December 2014 were as follows: 4.4821 RON/EUR, 3.6868 RON/USD and 5.7430 RON/GBP (31 December 2013: 4.4847 RON/EUR, 3.2551 RON/USD and 5.3812 RON/GBP).

(c) Financial assets and liabilities

(i) Recognition

The Fund recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value plus, in case of financial assets and financial liabilities not measured at fair value through profit or loss, any directly attributable transaction costs (including brokerage fees), except for the investments in equity securities whose fair value cannot be reliably measured, which are recognised initially at cost.

Mergers of portfolio companies are recognised at the date when the merger is registered at the Trade Register.

The bonus shares received by the Fund from portfolio companies that increased their share capital through incorporation of reserves are not recognised.

(ii) Classification

See accounting policies 3(d), (e), (f), (g) and (h).

(iii) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Gains or losses arising from derecognition of equity investments are calculated as the difference between proceeds on disposal of the financial asset and its fair value at the beginning of the reporting period, and are recorded in profit or loss.

The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(iv) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the Statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence, the most advantageous market to which the Fund has access at that date.

When available, the Fund measures the fair value of an equity instrument using quoted prices in an active market for that instrument at the reporting date. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair values of equity instruments that are not traded in an active market are determined by independent valuers, using valuation techniques (for the main part of the portfolio).

The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used are generally recognised as standard within the industry and include the use of comparable recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation techniques commonly used by market participants, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Some of the inputs to these models may not be observable in the market and are therefore estimated based on various assumptions.

The valuation techniques selected incorporate all the factors that market participants would take into account in pricing a transaction. The valuation reports were prepared as at 30 September 2014 (for 2013: as at 30 September 2013), based on financial information available for the companies under valuation as at the respective dates.

The Fund is also analysing available financial information from the portfolio companies, for the period between the date of the financial information used for the valuation reports until the end of the reporting period. If any significant change which may impact the fair values becomes available, the Fund requests the independent valuer to adjust the valuation so that the financial assets are reflected in the financial statements at their fair value as at the reporting date.

The output of a valuation model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Therefore, where appropriate, the valuations are adjusted to allow for additional factors including model risk, liquidity risk and counterparty risk.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(vi) Fair value measurement (continued)

The Fund presents the transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

(vii) Identification and measurement of impairment

At each reporting date, the Fund assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Financial assets carried at amortised cost

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against the financial assets. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available for sale financial assets – equity investments

Impairment losses on available for sale equity investments carried at fair value are recognised by transferring the cumulative loss that has been recognised directly in equity (other comprehensive income) to profit or loss. The cumulative loss removed from equity (other comprehensive income) and recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If, in a subsequent period, the fair value of an impaired equity investment increases, the recovery is recognised in equity (other comprehensive income).

For assessing which equity investments are impaired, the Fund considers all relevant factors, such as: significant or prolonged decline in fair value below cost, market and industry conditions, to the extent that they influence the recoverable amount of the investment, financial conditions and near-term prospects of the issuer, any specific adverse events that may influence the issuer's operations, recent losses of the issuer, qualified independent auditor's report on the issuer's most recent financial statements, etc.

(d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are recorded in the profit or loss. Subsequent measurement is at fair value and all changes in fair value are accounted through profit or loss. Financial assets at fair value through profit or loss are not subject to the review for impairment.

As a result of the application of the Amendments, starting 1 January 2014, the Fund changed its accounting policies for its investments in subsidiaries and associates, measuring them at fair value through profit or loss.

In this respect, the Fund retrospectively adjusted both the period that immediately precedes the date of initial application (year ended 31 December 2013) and the Statement of financial position at the beginning of the immediately preceding period (1 January 2013) for the difference between the previous carrying value and the fair value of these equity investments.

3. Significant accounting policies (continued)

(e) Held to maturity financial assets

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or as available for sale.

Held to maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a more than insignificant amount of held to maturity investments not close to their maturity would result in the reclassification of all held to maturity investments as available or sale, and prevent the Fund from classifying investment securities as held to maturity for the current and the following two financial years.

The Fund did not classify any investments as held to maturity as at 31 December 2014 and 31 December 2013.

(f) Available for sale financial assets

The Fund's investments in treasury bills, government bonds and in equity securities (other than subsidiaries and associates) are classified as available for sale financial assets. The inventory relief method used for the disposal of treasury bills and government bonds is "first-in first-out" (FIFO) method.

Equity investments

Starting 2014, subsequent to initial recognition, equity investments available for sale are measured either at fair value (the main part of the portfolio) or at values considered to be equivalent to fair values, being the values used in the calculation of the net asset value of the Fund, determined in accordance to the regulations issued by the FSA/CNVM and reported monthly (only for an insignificant part of the portfolio). Changes therein, other than impairment losses, are recognised directly in equity (other comprehensive income).

Investments in equity securities that do not have a quoted market price in an active market, and whose fair value were not available, are measured to the values used in the calculation of the net asset value of the Fund, determined in accordance to the regulations issued by the FSA/CNVM and reported on monthly basis. They are estimated as follows:

- fair values internally assessed using assumptions that are based on market conditions existing at each reporting date;
- using the shareholders' equity as per the most recently available annual financial statements of the issuers (adjusted with the dividends declared by that issuer, if the case) proportionally with the stake held by the Fund;
- valued at zero, for holdings in companies in liquidation, dissolution, bankruptcy or with negative shareholders' equity; companies in insolvency or reorganisation are valued either at zero or at the value provided by an independent valuer.

Before 1 January 2014, equity instruments that were not traded in an active market (including certain equity investments listed on the Bucharest Stock Exchange not actively traded) and that were not assessed by independent valuers, using valuation techniques, for which fair values were not available as at that dates, were carried at cost less impairment.

When an equity investment is derecognised, the cumulative gain or loss previously recognised in equity (other comprehensive income) is transferred to profit or loss.

The equity investments in associates and subsidiaries previously classified under this category were classified as equity investments at fair value through profit or loss as a result of the application of the Amendments in both current and restated periods.

3. Significant accounting policies (continued)

(g) Cash and deposits with banks

Cash includes petty cash and current accounts held with banks.

Deposits with banks include deposits with original maturities of less than three months and deposits with original maturities of more than three months and less than one year.

Cash and deposits with banks are carried at amortised cost.

Deposits with banks with original maturities of less than three months are included as a component of cash and cash equivalents for the purpose of the Statement of cash flows.

(h) Other financial assets and liabilities

Other financial assets and liabilities are measured at amortised cost using the effective interest method, less any impairment losses (in case of financial assets).

(i) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment losses and are amortised on a straight-line basis over the useful life of three years. The Fund intangible assets consist of computer software licenses and software development and implementation costs.

Cost includes the expenditure that is directly attributable to the acquisition of the asset.

Amortisation method, useful lives and residual values are reviewed at each reporting date.

(j) Impairment of non-financial assets

The carrying amounts of the Fund's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

(l) Provisions

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3. Significant accounting policies (continued)

(m) Dividend income

Dividend income related to listed equity investments is recognised in profit or loss on the ex-dividend date. Dividend distributions from unlisted equity investments are recognised in profit or loss as dividend income when declared.

When the Fund receives or chooses to receive dividends in the form of additional shares rather than cash, the dividend income is recognised for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

When bonus shares are received with no cash alternative and if only certain shareholders are granted additional shares, these are measured at fair value and a corresponding amount of dividend income is recognised. However, if all shareholders receive bonus shares in proportion to their shareholdings, no dividend income is recognised as the fair value of the Fund's interest should be unaffected by the bonus issue.

The Fund recognises dividends from subsidiaries and associates as income in its financial statements when its right to receive the dividend is established.

For late dividend payments, the Fund initiates legal recovery measures (conciliation, litigations etc.). The Fund is entitled to charge penalties for overdue amounts from net dividends, applying the legal penalty interest rate according to the legislation in force. Penalty income on dividends is recognised when collection is virtually certain.

Dividend income is presented gross of dividend withholding taxes, which are separately recognised as income tax expense.

(n) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Interest income relates to current accounts, deposits held with banks, treasury bills and government bonds.

(o) Income from sale of securities

Gains or losses from the disposal of the financial assets are recognised in profit or loss at the date of derecognising of the financial assets. When an available for sale equity investment carried at fair value is derecognised, on sale or other disposal, or is impaired, the cumulative fair value changes previously recognised in equity (other comprehensive income) are reclassified to profit or loss as a reclassification adjustment.

(p) Foreign currency gains and losses

Foreign currency gains and losses are reported on a net basis and include realised and unrealised foreign exchange differences.

(q) Expenses

All expenses are recognised in profit or loss on an accrual basis.

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax includes also dividend withholding taxes.

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity (other comprehensive income), in which case it is recognised in equity (other comprehensive income).

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. Significant accounting policies (continued)

(r) Income tax (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that are enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, which intend to settle current tax liabilities and assets on a net basis or whose tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously recognised directly in equity (other comprehensive income), which are recognised in equity (other comprehensive income).

The applicable tax rate is 16% (standard tax rate and also, the dividend withholding tax).

(s) Board members' benefits

The Fund has no employees, but from the benefits point of view, the members of the Board of Nominees and the special administrator appointed in portfolio companies in insolvency have the same legal treatment as employees, even if they have mandate agreements (no labour agreements). During the normal course of business, the Fund makes payments due to the state health, pensions and unemployment funds related to the members of the Board of Nominees and for the special administrator appointed in portfolio companies in accordance with the regulations in force. All members of the Board of Nominees and the special administrator appointed in portfolio companies are members of the pension plan of the Romanian State. Such costs are recognised in profit or loss together with the recognition of the remunerations. The Fund does not operate any other pensions plan or post-retirement benefits plan and therefore has no obligations regarding pensions.

(t) Treasury shares

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

(u) Dividend payable

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

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

3. Significant accounting policies (continued)

(v) Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards issued by the International Accounting Standards Board and adopted by the European Union are effective for the current period:

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements" – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 32 "Financial instruments: presentation" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 36 "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The adoption of these amendments to the existing standards, except for IAS 27, IAS 36, IAS 39 and Amendments to IFRS 10, will not lead to any changes in the Fund's accounting policies.

(w) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015);
- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015);
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- IFRIC 21 "Levies" adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The Fund anticipates that the adoption of these standards, revisions and interpretations, except for IFRS 13, will have no material impact on its financial statements in the period of initial application.

3. Significant accounting policies (continued)

(x) Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed as at the date of authorisation of these financial statements:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018);
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016);
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016);
- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Fund anticipates that the adoption of these standards, amendments to the existing standards and interpretations, except for IFRS 9, will have no material impact on its financial statements in the period of initial application.

The IASB also provided entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply the existing hedge accounting requirements in IAS 39 "Financial Instruments: Recognition and Measurement" for all hedge accounting. Currently, the Fund does not use any hedging instruments. In consequence according to the Fund's estimates, a change in application of hedge accounting for the portfolio of financial assets or liabilities from IAS 39 to IFRS 9, would not significantly impact the financial statements, if applied as at the balance sheet date.

4. Changes in accounting policies

The Fund applied the Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities), starting 1 January 2014 when these Amendments became effective, after their adoption by the European Union.

After analysing the criteria presented in the Amendments, the management concluded that Fondul Proprietatea meets the definition of an investment entity. As a result, the Fund changed its accounting policies for investments in subsidiaries and associates, measuring them at fair value through profit or loss.

The Amendments introduced an exception to the principle in *IFRS 10 Consolidated Financial Statements*, that all subsidiaries shall be consolidated. Being an investment entity, the Fund is required, throughout the current period and all comparative periods presented, to apply the exception to consolidation for all of its subsidiaries in accordance with IFRS 10, and it will present the separate financial statements as its only financial statements.

The Amendments define an investment entity and require a parent that is an investment entity to measure its investments in subsidiaries at fair value through profit or loss instead of consolidating those subsidiaries in its consolidated financial statements.

Before adoption of the Amendments, given the materiality consideration (the effect of their consolidation to the Fund was considered immaterial), investments in subsidiaries of the Fund were accounted for in accordance with *IAS 39 Financial Instruments: Recognition and Measurement* ("IAS 39") as available for sale financial assets, in both consolidated and separate financial statements, with changes in fair value recorded in equity (other comprehensive income).

Before adoption of the Amendments, the Fund accounted for the investments in associates using equity method in the consolidated financial statements. In the separate financial statements, the investments in associates were accounted for in accordance with IAS 39 as available for sale financial assets, with changes in fair value recorded in equity (other comprehensive income).

All the other equity investments of the Fund remained classified as in previous years, as available for sale financial assets. Where available, equity investments were measured at their fair values.

As at 31 December 2014, all Fund's equity investments were carried at fair value.

Restatement of comparative information

In accordance with the transitional provisions of the Amendments, the Fund has applied the new accounting policies retrospectively and restated the comparative information.

In this respect, the Fund retrospectively adjusted both the period that immediately precedes the date of initial application (year ended 31 December 2013) and the statement of financial position at the beginning of the immediately preceding period (1 January 2013) for the difference between the previous carrying value and the current fair value of the equity investments for which the change in accounting policies mentioned before applies.

The cumulative amount of fair value adjustments previously recognised in equity (other comprehensive income) for the equity investments reclassified at fair value through profit or loss was transferred to retained earnings at the beginning of the immediately preceding period (1 January 2013).

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

4. Changes in accounting policies (continued)

Statement of financial position

	31 December 2013 As restated	Adjustments	31 December 2013 As previously reported
Assets			
Cash and current accounts	5,552,477		5,552,477
Deposits with banks	232,110,013		232,110,013
Treasury bills	129,887,375		129,887,375
Government bonds	83,748,146		83,748,146
Equity instruments	14,312,229,125	5,058,611,960	9,253,617,165
Investment in associate	-	(5,059,270,088)	5,059,270,088
Deferred tax assets	342,189		342,189
Other assets	3,624,222		3,624,222
Total assets	**14,767,493,547**	**(658,128)**	**14,768,151,675**
Liabilities			
Other liabilities	42,268,236		42,268,236
Total liabilities	**42,268,236**	**-**	**42,268,236**
Equity			
Share capital	13,778,392,208		13,778,392,208
Fair value reserve on available for sale financial assets	4,013,118,750	(29,665,250)	4,042,784,000
Other reserves	312,558,751		312,558,751
Treasury shares	(1,095,093,250)		(1,095,093,250)
Accumulated losses	(2,283,751,148)	29,007,122	(2,312,758,270)
Total equity	**14,725,225,311**	**(658,128)**	**14,725,883,439**
Total liabilities and equity	**14,767,493,547**	**(658,128)**	**14,768,151,675**

4. Changes in accounting policies (continued)

Statement of comprehensive income

	Year ended 31 December 2013 As restated	Adjustments	Reclassifications	Year ended 31 December 2013 As previously reported
Net gain from equity instruments at fair value through profit or loss	422,350,522	422,350,522		-
Gain on disposal of equity investments available for sale	115,106,096	(1,827,208)	(991,122)	117,924,426
Gross dividend income	652,380,173	318,951,645		333,428,528
Reversal of impairment losses on receivable, net	37,674,370		37,674,370	-
Interest income	36,143,817			36,143,817
Net foreign exchange gains	34,102			34,102
Impairment losses on equity investments available for sale	(835,772,382)			(835,772,382)
Reversal of impairment losses/ (impairment losses) on dividends receivable, net	-		(46,907,126)	46,907,126
Reversal of impairment losses/ (impairment losses) on receivables in respect of equity contributions, net	-		9,038,221	(9,038,221)
Impairment losses on other assets	-		194,535	(194,535)
Other income, net	3,910,032		779,514	3,130,519
Share of profit in associates (net of income tax)	-	(916,085,196)		916,085,196
Net operating income	**431,826,730**	**(176,610,237)**	**(211,608)**	**608,648,576**
Personnel expenses	-		947,635	(947,635)
Operating expenses	(88,427,445)		(736,027)	(87,691,418)
Operating expenses	**(88,427,445)**	**-**	**211,608**	**(88,639,053)**
Profit before income tax	**343,399,285**	**(176,610,237)**	**-**	**520,009,523**
Income tax expense	(382,143,213)	(101,423,029)		(280,720,184)
Profit /(Loss) of the period	**(38,743,928)**	**(278,033,266)**	**-**	**239,289,339**
Other comprehensive income				
Net change in fair value of available for sale equity investments	4,066,505,032	2,367,574		4,064,137,458
Deferred tax on other comprehensive income	16,887,972	-		16,887,972
Decrease in fair value reserve following the disposal of available for sale equity investments	(200,205,152)			(168,172,328)
Total other comprehensive income	**3,883,187,852**	**2,367,574**	**-**	**3,912,853,102**
Total comprehensive income for the period	**3,844,443,924**	**(275,665,692)**	**-**	**4,152,142,441**
Basic and diluted earnings per share	**(0.0028)**			**0.0174**

5. Financial risk management

The Fund's investment portfolio comprises listed and unlisted equity investments.

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and with the markets in which it invests. The most important types of financial risks to which the Fund is exposed are market risk, credit risk and liquidity risk.

Starting 29 September 2010 the Fund Manager implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

(a) Market risk

Market risk is the risk that changes in market prices and rates, such as equity prices, interest rates and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to its issuer or factors affecting all instruments traded in the market.

Equity price risk arises from changes in the value of equity securities and is the primary risk impacting the Fund. Diversification across securities and industries, to the extent possible given the unique investment mandate, is the primary technique for mitigating equity price risk. The companies in which the Fund holds equity securities operate in different industries. The Fund has concentrated exposures to the "Oil and gas", "Power and gas utilities industries: transport, distribution and supply" and "Power utilities: generation" sectors.

The Fund's exposure to industries was as follows:

	31 December 2014	31 December 2013
Oil and gas	5,755,693,411	7,151,416,711
Power and gas utilities: transport, distribution, supply	3,449,421,000	3,259,422,077
Power utilities: generation	2,498,708,869	2,733,504,783
Infrastructure	488,604,858	361,491,795
Banks	365,374,794	458,174,184
Heavy industry	203,995,225	147,808,896
Aluminium	84,546,268	105,464,181
Postal services	55,896,000	60,790,000
Others	25,416,356	34,156,498
	12,927,656,781	**14,312,229,125**

The Fund has equity investments of RON 6,417,755,342 at 31 December 2014 (31 December 2013: RON 8,178,000,261) listed on the Bucharest Stock Exchange (at either BSE or RASDAQ segment) or Vienna Stock Exchange. During 2014 the Fund disposed of the entire holdings in equity investments listed on Vienna Stock Exchange.

As at 31 December 2014, for such investments, a ten per cent increase in the BET-BK index at the reporting date would have increased equity by RON 599,484,456 (31 December 2013, computed based on BET-C, respectively ATX index: RON 864,618,657) out of which impact on other comprehensive income of RON 167,993,808 (31 December 2013: RON 228,773,512) and impact on profit or loss account of RON 431,490,648 (31 December 2013: RON 635,845,145).

5. Financial risk management (continued)

(a) Market risk (continued)

(i) Equity price risk (continued)

An equal change in the opposite direction as at 31 December 2014 would have decreased equity by RON 599,484,456 (31 December 2013, computed based on BET-C, respectively ATX index: RON 864,618,657) out of which impact on other comprehensive income of RON 167,993,808 (31 December 2013: RON 228,773,512) and impact on profit or loss account of RON 431,490,648 (31 December 2013: RON 635,845,145).

This analysis assumes that all other variables remain constant.

(ii) Interest rate risk

The Fund places cash into fixed rate bank deposits, treasury bills and short-term government securities with original maturities of up to one year.

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

Fixed rate instruments	**31 December 2014**	**31 December 2013**
Bank deposits with original maturities of more than three months and less than one year	25,000,000	-
Bank deposits with original maturities of less than three months	84,278,998	232,021,138
Treasury bills	161,603,202	128,173,052
Government bonds	30,536,430	80,470,607
	301,418,630	**440,664,797**

(iii) Currency risk

Fund's exposure to currency risk is insignificant. The Fund held current accounts with banks and receivables and payables denominated in foreign currencies, (EUR, USD or GBP), but the balances were immaterial during the reporting period.

The local currency slightly appreciated compared to the EUR during 2014 (from 4.4847 RON/EUR at 31 December 2013 to 4.4821 RON/EUR at 31 December 2014), but depreciated compared to the USD (from 3.2551 RON/USD at 31 December 2013 to 3.6868 RON/USD at 31 December 2014) and to GBP (from 5.3812 RON/GBP at 31 December 2013 to 5.7430 RON/GBP at 31 December 2014).

The Fund's exposure to currency risk was as follows:

5. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

	31 December 2014	31 December 2013
RON		
Monetary assets		
Petty cash	538	186
Current accounts with banks	6,876,550	1,706,229
Bank deposits with original maturities of more than three months and less than one year	25,000,000	-
Bank deposits with original maturities of less than three months	84,278,998	232,021,138
Interest accrued on bank deposits	145,932	88,875
Treasury bills	162,839,401	129,887,375
Government bonds	31,749,581	83,748,146
Other receivables	8,400,752	1,281,855
	319,291,752	**448,733,804**
Monetary liabilities		
Other liabilities	(52,649,875)	(42,253,379)
	(52,649,875)	**(42,253,379)**
	266,641,877	**406,480,425**

	31 December 2014	31 December 2013
EUR (in RON equivalent)		
Monetary assets		
Current accounts with banks	1,324	3,845,529
Other receivables	1,037,586	2,342,366
	1,038,910	**6,187,895**
Monetary liabilities		
Other liabilities	(51,540)	(14,856)
	(51,540)	**(14,856)**
	987,370	**6,173,039**

5. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

	31 December 2014	31 December 2013
USD (in RON equivalent)		
Monetary assets		
Current accounts with banks	381	377
GBP (in RON equivalent)		
Monetary assets		
Current accounts with banks	336	156
Monetary liabilities		
Other liabilities	(92,671)	-
	(92,671)	**-**
	(92,335)	**156**

A ten percent strengthening of the RON against the EUR, USD and GBP respectively as at 31 December 2014 and 31 December 2013 would have the following impact in profit or loss (the analysis assumes that all other variables remain constant):

Profit or loss	**31 December 2014**	**31 December 2013**
EUR	(98,737)	(617,304)
USD	(38)	(38)
GBP	9,234	(16)

As at 31 December 2014, the Fund did not hold any equity investment denominated in other currency than RON.

As at 31 December 2013, the Fund held equity investments denominated in EUR with a fair value of EUR 27,402,896 equivalent of RON 122,893,769.

(b) Credit risk

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills, government bonds and dividends receivable. The Fund's maximum exposure to credit risk from cash and deposits with banks was RON 116,303,521 at 31 December 2014 (31 December 2013: RON 237,662,304). Cash and deposits are held with the following banks:

	31 December 2014	31 December 2013
Cash and deposits held with		
BCR	68,759,620	58,733
Unicredit Tiriac Bank	25,144,609	75,057,641
BRD - Groupe Societe Generale	22,396,694	29,511,355
ING Bank	1,834	75,029,849
CITI Bank	394	58,003,992
Raiffeisen Bank	370	427
RBS Bank*	-	306
	116,303,521	**237,662,304**

*in 2014, the corporate clients' portfolio of RBS Bank was taken over by Unicredit Tiriac Bank

5. Financial risk management (continued)

(b) Credit risk (continued)

(i) Cash and deposits with banks

Current accounts and deposits are held with banks in Romania. The Fund Manager implemented a formal policy regarding bank counterparty risks and limits. The Fund only establishes new deposits with financial institutions where the institution or the institution's corporate parent, have a credit rating above investment grade (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

(ii) Treasury bills

The Fund's maximum exposure to credit risk from treasury bills was RON 162,839,401 as at 31 December 2014 (31 December 2013: RON 129,887,375).

As of 31 December 2014, the Fund held the following treasury bills with discount, RON denominated:

ISIN	Value as at 31 December 2014	Settlement Date	No. of units	Interest rate	Maturity date
RO1415CTN057	24,897,280	01-Aug-14	5,000	1.70%	30-Mar-15
RO1415CTN024	10,921,447	08-Aug-14	2,187	1.80%	26-Jan-15
RO1415CTN0B1	40,331,220	11-Aug-14	8,169	2.09%	10-Aug-15
RO1415CTN081	27,762,769	08-Aug-14	5,600	1.95%	09-Jun-15
RO1415CTN073	58,926,685	30-Jul-14	11,866	1.70%	27-May-15
Total	**162,839,401**				

As of 31 December 2013, the Fund held the following treasury bills with discount, RON denominated:

ISIN	Value as at 31 December 2013	Settlement Date	No. of units	Interest rate	Maturity date
RO1314CTN0E7	53,519,131	23-Dec-13	10,800	2.72%	30-Apr-14
RO1314CTN060	44,630,882	27-Jun-13	4,500	4.35%	12-Mar-14
RO1314CTN060	31,737,362	02-Jul-13	3,200	4.35%	12-Mar-14
Total	**129,887,375**				

(iii) Government bonds

The Fund's maximum exposure to credit risk from government bonds was RON 31,749,581 as at 31 December 2014 (31 December 2013: RON 83,748,146).

As of 31 December 2014, the Fund held the following government bonds, denominated in RON:

ISIN	Value as at 31 December 2014	Settlement Date	No. of units	Interest rate	Maturity date
RO1015DBN010	31,749,581	07-Aug-14	3,000	6.00%	30-Apr-15
Total	**31,749,581**				

As of 31 December 2013, the Fund held the following government bonds, denominated in RON:

ISIN	Value as at 31 December 2013	Settlement Date	No. of units	Coupon rate	Maturity date
RO1214DBN027	48,971,641	14-Aug-13	4,647	5.95%	23-Apr-14
RO1214DBN027	34,776,504	23-Dec-13	3,300	5.95%	23-Apr-14
Total	**83,748,146**				

5. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Dividends receivable

The Fund has no credit risk from dividend receivable as at 31 December 2014 and 31 December 2013.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The following are the residual maturities of the Fund's financial assets and financial liabilities:

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2014				
Financial assets				
Cash and current accounts	6,879,129	-	-	-
Deposits with banks	84,280,694	25,144,236	-	-
Treasury bills	10,921,447	24,897,280	127,020,674	-
Government bonds	-	-	31,749,581	-
Equity investments at fair value through profit and loss	-	-	-	4,591,866,101
Equity instruments available for sale	-	-	-	8,335,790,680
Other receivables	9,438,338	-	-	-
	111,519,608	**50,041,516**	**158,770,255**	**12,927,656,781**
Financial liabilities				
Other liabilities	52,794,086	-	-	-
	52,794,086	**-**	**-**	**-**

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2013				
Financial assets				
Cash and current accounts	5,552,477	-	-	-
Deposits with banks	232,110,013	-	-	-
Treasury bills	-	76,368,245	53,519,130	-
Government bonds	-	-	83,748,146	-
Equity investments at fair value through profit and loss	-	-	-	5,127,828,720
Equity instruments available for sale	-	-	-	9,184,400,405
Other receivables	3,624,222	-	-	-
	241,286,712	**76,368,245**	**137,267,276**	**14,312,229,125**
Financial liabilities				
Other liabilities	42,268,236	-	-	-
	42,268,236	**-**	**-**	**-**

The Fund's equity investments include unlisted securities, which are not traded in a regulated market and generally may be considered be illiquid. As a result, the Fund may not be able to liquidate quickly some of its investments in these instruments in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the credit worthiness of any particular issuer.

Not all shares listed on Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions. The Fund prudently manages liquidity risk by maintaining sufficient liquid assets to finance current liabilities.

5. Financial risk management (continued)

(d) Taxation risk

On 1 January 2007 Romania became a member of the European Union and therefore has to apply detailed and complex rules on the basis of the EU Treaties, Regulations and Directives. The Fund had to conform to EU legislation from 1 January 2007 and, therefore, had to apply the changes arising from the EU legislation. These changes were implemented and the tax authorities had up to 5 years to audit the way these changes were implemented.

Interpretation of the text and practical implementation procedures of the EU tax regulations could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Fund's treatment.

Furthermore, the Romanian Government has a number of agencies that are authorised to conduct audits (controls) of companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Fund will continue to be subject to regular controls as new laws and regulations are issued.

(e) Operating environment

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

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

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

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

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

(f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, service providers, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations.

The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

(g) Capital management

Fund's policy is to maintain a strong capital base so as to maintain shareholders' confidence and to sustain future developments.

The Fund's capital (shareholders' equity) comprises share capital, fair value and other reserves and retained earnings. The shareholders' equity was RON 13,347,873,023 at 31 December 2014 (31 December 2013: RON 14,725,225,311).

The Fund was not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

6. Financial assets and financial liabilities

Accounting classifications and fair values

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

31 December 2014	Loans and receivables	Available for sale	At fair value through profit or loss	Other amortised cost	Total carrying amount	Fair value
Cash and current accounts	6,879,129	-	-	-	6,879,129	6,879,129
Deposits with banks	109,424,930	-	-	-	109,424,930	109,424,930
Treasury bills	-	162,839,401	-	-	162,839,401	162,839,401
Government bonds	-	31,749,581	-	-	31,749,581	31,749,581
Equity investments	-	8,335,790,680	4,591,866,101	-	12,927,656,781	12,927,656,781
Other receivables	9,438,338	-	-	-	9,438,338	9,438,338
Other liabilities	-	-	-	(52,794,086)	(52,794,086)	(52,794,086)
	125,742,397	**8,530,379,662**	**4,591,866,101**	**(52,794,086)**	**13,195,194,074**	**13,195,194,074**

31 December 2013	Loans and receivables	Available for sale	At fair value through profit or loss	Other amortised cost	Total carrying amount	Fair value
Cash and current accounts	5,552,477	-	-	-	5,552,477	5,552,477
Deposits with banks	232,110,013	-	-	-	232,110,013	232,110,013
Treasury bills	-	129,887,375	-	-	129,887,375	129,887,375
Government bonds	-	83,748,146	-	-	83,748,146	83,748,146
Equity investments	-	9,184,400,405	5,127,828,720	-	14,312,229,125	14,312,229,125
Other receivables	3,624,222	-	-	-	3,624,222	3,624,222
Other liabilities	-	-	-	(42,268,236)	(42,268,236)	(42,268,236)
	241,286,712	**9,398,035,926**	**5,127,828,720**	**(42,268,236)**	**14,724,883,122**	**14,724,883,122**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
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7. Gross dividend income

	Year ended 31 December 2014	Year ended 31 December 2013
OMV Petrom S.A.	331,366,364	318,951,645
Romgaz S.A.	148,525,046	158,941,766
GDF Suez Energy Romania S.A.	33,600,000	22,800,000
Nuclearelectrica S.A.	33,164,141	2,769,286
Electrica Distributie Muntenia Nord S.A.	23,212,248	16,206,229
Transelectrica S.A.	22,046,532	3,997,666
Societatea Nationala a Sarii S.A.	19,808,540	9,297,643
Electrica Furnizare S.A.	19,637,608	9,260,589
Electrica Distributie Transilvania Sud S.A.	12,733,949	-
CN Aeroporturi Bucuresti S.A.	12,318,257	9,135,228
Electrica Distributie Transilvania Nord S.A.	11,666,197	-
CN Administratia Porturilor Maritime S.A.	10,118,830	5,355,572
Conpet S.A.	8,773,485	8,403,049
CN Administratia Canalelor Navigabile S.A.	175,612	856,672
Transgaz S.A.	-	37,568,760
Complexul Energetic Oltenia S.A.	-	12,312,014
Raiffeisen Bank International AG	-	4,433,195
E.ON Gaz Distributie S.A.		29,933,522
Aeroportul International Timisoara - Traian Vuia S.A.	-	672,674
Others	264,214	1,484,663
	687,411,023	**652,380,173**

The dividend income was subject to 16% withholding tax for Romanian equity investments and 5% withholding tax for Austrian equity investments. In cases where the relevant shareholding was larger than 10% of total issued shares for at least one year (2013- two years) prior to the dividend distribution, no withholding tax was due.

8. Gains on disposal of equity investments available for sale

In 2014, the Fund sold its entire holdings in Erste Group Bank, Raiffeisen Bank, Resib SA, Severnav SA, Transelectrica SA, Transilvania Com SA, Turdapan SA and part of its holding in Conpet SA, Oil Terminal SA, Romgaz SA. In October 2014 Carbid Fox SA was erased from Romanian Trade Register, at the end of bankruptcy procedure.

The net gain on disposal of these equity investments was RON 645,546,303 representing the difference between the proceeds from disposals (RON 1,074,882,392) and the carrying values of the equity investments as at disposal date (RON 1,046,111,033), plus the net unrealised gain related to these investments disposed, transferred from equity (other comprehensive income) to profit or loss upon their derecognition (RON 616,774,944).

In 2013, the gain on disposal of these equity investments was RON 115,106,096 representing the difference between the proceeds from disposals (RON 324,702,758) and the carrying values of the equity investments as at disposal date (RON 409,801,814), plus the net unrealised gain related to these investments disposed, transferred from equity (other comprehensive income) to profit or loss upon their derecognition (RON 200,205,152).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

9. Net gain/ (loss) from equity investments at fair value through profit or loss

	Year ended 31 December 2014	Year ended 31 December 2013
Realised net gain/ (loss) from equity instruments	2,023,243	(24,456,521)
Unrealised net gain/ (loss) from equity instruments	(606,242,873)	446,807,043
Total	**(604,219,630)**	**422,350,522**

Realised net gain / (loss) from equity investments was calculated as the difference between the proceeds from the disposal of equity investments at fair value through profit or loss during the period and the fair value of the equity investments disposed of at the beginning of the period.

If we calculate the realised net gain from equity investments by reference to the historical cost, this would be RON 1,972,612 (31 December 2013: a net loss of RON 71,250,429).

10. Operating expenses

	Year ended 31 December 2014	Year ended 31 December 2013
Investment management and administration fees	56,479,028	45,273,318
Financial Supervisory Authority monthly fees	14,582,299	15,098,151
Intermediaries fees related to disposal of portfolio holdings	11,756,815	7,653,492
Other fees related to disposal of portfolio holdings	1,974,112	1,292,929
Depositary fee	1,767,065	1,780,597
Remunerations and related taxes	1,120,313	947,635
Third party services	22,023,450	13,220,265
Other operating expenses	3,938,574	3,161,058
	113,641,656	**88,427,445**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in RON unless otherwise stated)

11. Income tax (expense)/ benefit

	Year ended 31 December 2014	Year ended 31 December 2013
Current tax expense		
Current tax (16%)	(16,627,992)	-
Dividend withholding tax	(5,306,263)	(2,678,657)
	(21,934,255)	**(2,678,657)**
Deferred tax related to:		
Equity investments	144,872,210	(379,284,493)
Fiscal loss carried forward/ (used)	(342,189)	(180,063)
	144,530,021	**(379,464,556)**
Income tax (expense) / benefit	**122,595,766**	**(382,143,213)**

The effective tax rate used to calculate the deferred tax position of the Fund for the years ended 31 December 2014 and 31 December 2013 was 16% (standard tax rate).

	Year ended 31 December 2014	Year ended 31 December 2013
Reconciliation of effective tax rate		
Profit/ (loss) for the period	427,186,290	(38,743,928)
Income tax (expense)/ benefit	122,595,766	(382,143,213)
Profit excluding income tax	**304,590,524**	**343,399,285**
Income tax using the standard tax rate (16%)	**(48,734,484)**	**(54,943,886)**
Effect of:		
Lower or nil tax rate on dividend income	100,222,241	101,150,910
Gain on cancellation of treasury shares (taxable equity item)	(39,385,958)	-
Decrease of the nominal value of the treasury shares (taxable equity item)	(373,073)	-
Profit appropriation to legal reserve	-	298,564
Non-taxable income	157,420,659	7,591,576
Non-deductible expenses	(78,325,115)	(1,982,699)
Impact of non-recognition of deferred tax on change in fair value of equity investments	29,271,496	(54,716,995)
Sponsorship expenses	2,500,000	-
Reversal of deferred tax following the changes in the fiscal legislation	-	(379,284,494)
Austrian dividend withholding tax non deductible from fiscal point of view	-	(256,189)
Income tax (expense)/ benefit	**122,595,766**	**(382,143,213)**

11. Income tax (expense)/ benefit (continued)

In 2014, the non-taxable income and non-deductible expenses included mainly the proceeds (RON 964,229,782, with a tax effect on reconciliation of RON 154,276,765) and respectively the cost (RON 473,045,554, with a tax effect on reconciliation of RON 75,687,289) related to the disposal of equity investments where Fund's holding was greater than 10% of the share capital of the company, for an uninterrupted period of at least 1 year.

	Year ended 31 December 2014	Year ended 31 December 2013
Tax income/ (expense) recognised directly in equity:		
On equity investments carried at fair value	7,806,738	16,887,972

Please see note 16 for details regarding deferred tax assets computation and recognition.

12. Cash and current accounts

	31 December 2014	31 December 2013
Petty cash	538	186
Current accounts with banks	6,878,591	5,552,291
	6,879,129	**5,552,477**

The current accounts held with banks are not pledged as collateral for liabilities.

13. Deposits with banks

	31 December 2014	31 December 2013
Bank deposits with original maturities of more than three months and less than one year	25,000,000	-
Bank deposits with original maturities of less than three months	84,278,998	232,021,138
Interest accrued on bank deposits	145,932	88,875
	109,424,930	**232,110,013**

None of the deposits held with banks is pledged as collateral for liabilities.

14. Treasury bills and government bonds

In 2014 and 2013, the Fund acquired discounted treasury bills denominated in RON issued by the Ministry of Public Finance of Romania. As at 31 December 2014 and 31 December 2013 the treasury bills balance comprises treasury bills with residual maturity up to 12 months, with implicit interest rates (based on the yield to maturity for each issue) ranging between 1.7% and 2.09% per year as at 31 December 2014 (31 December 2013: 2.72% – 4.35% per year).

	31 December 2014	31 December 2013
Treasury bills with original maturities of more than three months and less than one year	162,839,401	53,519,130
Treasury bills with original maturities of less than three months	-	76,368,245
	162,839,401	**129,887,375**

14. Treasury bills and government bonds (continued)

In 2014 and 2013, the Fund acquired government bonds with coupon, denominated in RON, issued by the Ministry of Public Finance of Romania. The government bonds as at 31 December 2014 amounted RON 31,749,581 (31 December 2013: 83,748,146), have original maturities of more than three months and less than one year and coupon rate of 6% per year (31 December 2013: 5.95% per year).

15. Equity investments

In accordance with Law 247/2005, as amended by Government Emergency Ordinance no.209/2005, the Fund received, at its establishment on 28 December 2005, shares in 117 companies as contribution in kind from the Romanian State, as sole shareholder.

In June 2007, Government Emergency Ordinance no. 81/2007 for the acceleration of the procedure for granting compensations for the property abusively nationalised ("GEO 81/2007") came into force, in accordance with which:

- 32 new shareholdings were added to the Fund's portfolio as contribution in kind to its share capital (21 shareholdings in companies already in the portfolio and 11 shareholdings in companies not previously in the portfolio);
- 39 shareholdings were removed from the Fund's portfolio and transferred back to the Romanian state.

The valuation of the shares contributed by the Romanian state in December 2005 and June 2007 was performed in October 2007 by an independent valuer (Finevex S.R.L. Constanta), who followed the valuation methodology set forth by Law 247/2005. The value of the shareholdings, as determined by the valuer, represented the cost (initial value) of the equity investments.

Equity investments are classified as financial assets at fair value through profit or loss (respectively Fund's associates and subsidiaries) and financial assets available for sale (all the other equity investments).

As a result of the application of the Amendments starting 1 January 2014, the Fund changed its accounting policies and classified all its equity investments in subsidiaries and associates at fair value through profit or loss while all the other equity investments remained classified as available for sale financial assets, carried at fair value.

In this respect, the Fund retrospectively adjusted both the period that immediately precedes the date of initial application (year ended 31 December 2013) and the Statement of financial position at the beginning of the immediately preceding period (1 January 2013) for the difference between the previous carrying value and the fair value of these equity investments.

Equity investments classified as financial assets at fair value through profit or loss are valued:

- Either at fair value, determined by reference to published bid price quotations on the stock exchange where shares are traded (listed and liquid securities), or assessed by independent valuers, using valuation techniques in accordance with International Valuation Standards (unlisted securities).
- Or at values considered to be equivalent to fair values, being the values used in the calculation of the net asset value of the Fund, determined in accordance to the regulations issued by the FSA/CNVM (listed but illiquid securities and unlisted securities for which fair values assessed by independent valuers were not available).

Equity investments classified as financial assets available for sale are valued:

- Either at fair value, determined by reference to published bid price quotations on the stock exchange where shares are traded (listed and liquid securities), or assessed by independent valuers, using valuation techniques in accordance with International Valuation Standards (unlisted securities).
- Or, as at 31 December 2014, at values considered to be equivalent to fair values, being the values used in the calculation of the net asset value of the Fund, determined in accordance to the regulations issued by the FSA/CNVM (listed but illiquid securities and unlisted securities for which fair values assessed by independent valuers were not available at that date).
- Or, as at 31 December 2013 and 1 January 2013, at cost less impairment (listed but illiquid securities and unlisted securities for which fair values assessed by independent valuers were not available at that date).

The movement in the carrying amounts of equity investments is presented below:

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15. Equity investments (continued)

	Equity investments valued using equity method	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
31 December 2012, as previously reported	**4,706,829,818**	-	**6,393,201,506**	**11,100,031,324**
Impact of change in accounting policy	(4,706,829,818)	4,941,785,621	(61,687,447)	**173,268,356**
1 January 2013, as restated	-	**4,941,785,621**	**6,331,514,059**	**11,273,299,680**
Shares contributions in kind by State		-	357,420	**357,420**
Cash contributions to portfolio companies share capital increases		11,115,750	31,598,091	**42,713,841**
Disposals		(271,879,694)	(409,801,814)	**(681,681,508)**
Impairment loss		-	(835,772,382)	**(835,772,382)**
Changes in fair value through equity reserve		-	4,066,505,031	**4,066,505,031**
Net gain/ (loss) from measurement at fair value through profit or loss		446,807,043	-	**446,807,043**
31 December 2013, as restated	-	**5,127,828,720**	**9,184,400,405**	**14,312,229,125**

15. Equity investments (continued)

	Equity investments valued using equity method	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
31 December 2013, as previously reported	**5,059,270,088**	**-**	**9,253,617,165**	**14,312,887,253**
Impact of change in accounting policy	(5,059,270,088)	5,127,828,720	(69,216,760)	**(658,128)**
31 December 2013, as restated	**-**	**5,127,828,720**	**9,184,400,405**	**14,312,229,125**
Equity investments classified as investments in associates starting 2014		76,049,556	(76,049,556)	**-**
Shares contributions in kind by State		-	1,433,610	**1,433,610**
Disposals		(2,020,548)	(1,046,111,034)	**(1,048,131,582)**
Impairment loss		-	(344,087,673)	**(344,087,673)**
Return of share capital of portfolio companies		(3,748,753)	-	**(3,748,753)**
Changes in fair value through equity reserve		-	616,204,928	**616,204,928**
Net gain/ (loss) from measurement at fair value through profit or loss		(606,242,873)	-	**(606,242,873)**
31 December 2014	**-**	**4,591,866,101**	**8,335,790,680**	**12,927,656,781**

15. Equity investments (continued)

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

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

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

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

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

Mergers

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

Hidroelectrica's Insolvency

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

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

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

Impairment losses

In 2014, the Fund recorded impairment adjustments of RON 344,087,673 (2013: RON 835,772,382) for the equity investments presented below, based on either fair values assessed by independent valuers or by reference to published prices quotations on the stock exchange (for listed holdings). All impairment losses are recognised through profit or loss. During 2014, an amount of RON 124,199,717 (2013: RON 158,703,880) has been reclassified from equity (other comprehensive income) to profit or loss, due to the prolonged decline in the value of some equity investments.

15. Equity investments (continued)

The equity investments for which the Fund recorded impairment adjustments were:

Company	Year ended 31 December 2014	Year ended 31 December 2013
Complexul Energetic Oltenia S.A.	213,440,365	348,440,812
Nuclearelectrica S.A.	94,832,999	305,472,325
Alro S.A.	12,370,750	-
Conpet S.A.	10,649,104	-
BRD - Groupe Societe Generale S.A.	6,346,864	97,670,533
Posta Romana S.A.	4,895,274	20,032,000
Administratia Porturilor Dunarii Maritime S.A.	1,344,716	-
Salubriserv S.A.	207,601	-
Raiffeisen Bank International AG	-	43,870,195
Erste Group Bank AG	-	17,163,151
Forsev S.A.	-	3,123,366
Total	**344,087,673**	**835,772,382**

The structure of the Fund's portfolio was the following:

	31 December 2014	31 December 2013
Equity investments at fair value through profit or loss		
OMV Petrom S.A.	4,389,528,460	5,054,412,918
Societatea Nationala a Sarii S.A.*	142,882,000	-
Zirom S.A.	39,338,000	43,464,000
Primcom S.A.	12,345,176	23,414,095
Other	7,772,465	6,537,707
	4,591,866,101	**5,127,828,720**

* Starting 2014, Societatea Nationala a Sarii SA was classified as Fund's associates and, consequently, was valued at fair value through profit or loss.

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15. Equity investments (continued)

Equity investments available for sale	**31 December 2014**	**31 December 2013**
Hidroelectrica S.A.	2,178,094,000	2,105,161,000
Romgaz S.A.	1,362,879,066	1,975,701,972
Enel Distributie Banat S.A.	640,491,000	573,250,000
Enel Distributie Muntenia S.A.	465,769,000	473,070,000
GDF Suez Energy Romania	461,321,000	404,410,000
E.ON Distributie Romania S.A. **	441,456,000	-
Enel Distributie Dobrogea S.A.	396,895,000	379,110,000
CN Aeroporturi Bucuresti S.A.	332,286,000	287,654,000
Electrica Distributie Muntenia Nord S.A.	235,600,000	296,200,000
BRD - Groupe Societe Generale S.A.	222,140,240	228,487,104
Nuclearelectrica S.A.	212,140,869	306,699,783
Electrica Distributie Transilvania Sud S.A.	206,500,000	192,000,000
Electrica Distributie Transilvania Nord S.A.	201,600,000	206,700,000
Banca Transilvania S.A.	143,234,554	106,793,311
E.ON Energie Romania S.A .	133,900,000	45,765,358
Administratia Porturilor Maritime S.A.	132,594,000	52,621,414
Electrica Furnizare S.A.	126,368,000	-
Complexul Energetic Oltenia S.A.	108,474,000	321,644,000
Alro Slatina S.A.	84,546,268	105,464,181
Enel Energie S.A.	74,377,000	19,278,553
Enel Energie Muntenia S.A.	65,144,000	2,833,769
Posta Romana S.A.	55,896,000	60,790,000
Conpet S.A.	-	115,715,745
Transelectrica S.A.	-	156,245,397
Raiffeisen Bank International AG	-	77,793,309
Erste Group Bank AG	-	45,100,460
E.ON Moldova Distributie S.A. **	-	345,359,000
E.ON Gaz Distributie S.A. **	-	165,200,000
Societatea Nationala a Sarii S.A.*	-	76,049,556
Other	54,084,683	59,302,491
	8,335,790,680	**9,184,400,405**
Total equity investments	**12,927,656,781**	**14,312,229,125**

* Starting 2014, Societatea Nationala a Sarii SA was classified as Fund's associates and, consequently, was valued at fair value through profit or loss.
** In November 2014, the General Shareholders Meetings of E.ON Gaz Distributie S.A. and E.ON Moldova Distributie S.A. approved the merger of the companies, with E.ON Gaz Distributie S.A. as absorbing company and E.ON Moldova Distributie S.A. as absorbed company. Following the merger, E.ON Gaz Distributie S.A. changed its name to E.ON Distributie Romania S.A. and E.ON Moldova Distributie was erased from the Trade Register

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

15. Equity investments (continued)

Fair value hierarchy

The table below analyses equity investments carried at fair value, by valuation method.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement, the different levels being defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2014:

	Level 1	Level 2	Level 3	Total
Equity investments	6,417,755,342	-	6,443,756,000	12,861,511,342
Treasury bills	162,839,401	-	-	162,839,401
Government bonds	31,749,581	-	-	31,749,581
	6,612,344,324	**-**	**6,443,756,000**	**13,056,100,324**

At 31 December 2013:

	Level 1	Level 2	Level 3	Total
Equity investments	8,178,000,258	-	5,854,669,000	14,032,669,258
Treasury bills	129,887,375	-	-	129,887,375
Government bonds	83,748,146	-	-	83,748,146
	8,391,635,779	**-**	**5,854,669,000**	**14,246,304,779**

The level in the fair value hierarchy within which the fair value measurement is categorised, is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that financial instrument is classified in Level 3. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset. The determination of what constitutes observable requires significant judgments by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

For all Level 3, the equity instruments valuation was performed by independent valuers, based on financial information provided by the Fund using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs, under the supervision and review of the Fund's Management, who ensures that all underlying data used in the report is accurate, and appropriate inputs are used in the valuation. As the valuation reports were prepared as at 30 September 2014 (for 31 December 2013: as at 30 September 2013), based on financial information available for the companies under valuation as at the respective date, the Fund's Management have analysed, based on the available information, the period between the date of the valuation reports and the reporting date. There was no information known or available to the Fund's Management which may have impact on the fair values of the equity investments as at the reporting date, as they are presented in these financial statements.

15. Equity investments (continued)

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties to the extent that the Fund believes that a third party market participant would take into account these factors in pricing a transaction.

As a result of strong volatility in the capital market and severe restrictions in the credit markets both globally and in Romania, notwithstanding any potential economic stabilisation measures that may be put into place by the Romanian State, economic uncertainties arose surrounding the continual availability and cost of credit for the Fund's counterparties, future development of the market and demand for goods and services they produce.

The economic uncertainties are expected to continue in the foreseeable future and, as a consequence, there is a possibility that assets of the Fund are not recovered at their carrying amount in the ordinary course of business. A corresponding impact on the Fund's profitability cannot be estimated reliably as of the date of these financial statements.

As at 31 December 2014, the equity investments included equity investments valued at values used in the calculation of 31 December 2014 net asset value of the Fund, determined in accordance to the regulations issued by the FSA/CNVM, in amount of RON 66,145,439.

As at 31 December 2013, the equity investments included equity investments valued at cost less impairment in amount of RON 249,608,066 and equity investments valued at values used in the calculation of 31 December 2013 net asset value of the Fund, in amount of RON 29,951,801.

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

As at 31 December 2014, unlisted equity investments with a carrying amount of RON 6,443,756,000 (31 December 2013: RON 5,854,669,000) were classified into Level 3 of the fair value hierarchy. Out of this, an amount of RON 2,836,777,204 represents the total net change in fair value recognised in equity (other comprehensive income) as at 31 December 2014 (31 December 2013: RON 2,293,368,230). The fair values for these equity investments were assessed by independent valuers, using valuation methods in accordance with International Valuation Standards.

The following table sets out information about significant unobservable inputs used at 31 December 2014 and 31 December 2013 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

15. Equity investments (continued)

Financial assets	Fair value at 31 December 2014	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Total	**6,443,756,000**			
Unlisted equity instruments	6,094,675,000	Market approach - comparable companies (based on EBITDA multiples)	EBITDA multiple ranging from 3.88 to 9.36 Discount for lack of marketability: 15% or 20%	The higher EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	108,474,000	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 1 Discount for lack of marketability: 20%	The higher Revenue multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	240,607,000	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 12.17% to 16.26%. Discount for lack of marketability ranging from 0% to 15%. Discount for lack of control ranging from 0% to 20%. Long-term revenue growth rate ranging from 1.5% to 2.5%	The lower the weighted average cost of capital, the higher the fair value. The lower discount for lack of marketability, the higher the fair value. The lower discount for lack of control, the higher the fair value. The higher the revenue growth rate, the higher the fair value.

15. Equity investments (continued)

Financial assets	Fair value at 31 December 2013	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Total	**5,854,669,000**			
Unlisted equity instruments	5,749,758,000	Market approach - comparable companies (based on EBITDA multiples)	EBITDA multiple ranging from 5.52 to 9.18	The higher EBITDA multiple, the higher the fair value.
			Discount for lack of marketability: 10% or 25%	The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	104,911,000	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 13% to 15%.	The lower the weighted average cost of capital, the higher the fair value.
			Discount for lack of marketability: 0% or 5% or 10%	The lower discount for lack of marketability, the higher the fair value.
			Discount for lack of control: 0% or 20%	The lower discount for lack of control, the higher the fair value.
			Long-term revenue growth rate ranging from 2% to 2.5%	The higher the revenue growth rate, the higher the fair value.

Significant unobservable inputs are the following:

Revenue multiple: is a tool used to appraise businesses based on market comparison to similar public companies. Revenue based business value estimation may be preferred to earnings multiple valuation whenever there is uncertainty or doubt regarding some of the company's expenses. The most common tendency is to value a firm based on its sales whenever this number is the most direct indication of the company's earning capacity.

EBITDA multiple: represents the most relevant multiple used when pricing the investments and it is calculated using information from comparable public companies (similar geographic location, industry size, target markets and other factors that valuers consider to be reasonable). The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its EBITDA and further discounted for considerations such as the lack of marketability and other differences between the comparable peer group and specific company.

Discount for lack of marketability: represents the discount applied to the comparable market multiples to reflect the liquidity differences between a portfolio companies relative to the comparable peer group. Valuers estimate the discount for lack of marketability based on professional judgement after considering market liquidity conditions and company-specific factors.

Discount for lack of control: represents the discount applied to reflect the absence of the control power and it was considered under the discounted cash flow method, in order to derive the value of a minority shareholding in the equity of the subject companies.

Weighted average cost of capital: represents the calculation of a company’s cost of capital in nominal terms (including inflation), based on the “Capital Asset Pricing Model”. All capital sources – shares, bonds and any other long-term debts - are included in a weighted average cost of capital calculation.

16. Deferred tax assets

	31 December 2014	31 December 2013
Temporary differences deductible (taxable)		
On equity investments	954,243,433	-
Fiscal loss carried forward	-	2,138,680
Recognised deferred tax asset at 16%	**152,678,949**	**342,189**

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

The movement in the deferred tax assets position is presented in the below tables:

2014	**Balance at 1 January 2014**	**Recognized in profit or loss**	**Recognized in equity (other comprehensive income)**	**Balance at 31 December 2014**
Equity investments	-	144,872,211	7,806,738	152,678,949
Fiscal loss carried forward/ (used)	342,189	(342,189)	-	-
	342,189	**144,530,022**	**7,806,738**	**152,678,949**

2013	**Balance at 1 January 2013**	**Recognized in profit or loss**	**Recognized in equity (other comprehensive income)**	**Balance at 31 December 2013**
Equity investments	362,396,521	(379,284,493)	16,887,972	-
Fiscal loss carried forward/ (used)	522,252	(180,063)	-	342,189
	362,918,773	**(379,464,556)**	**16,887,972**	**342,189**

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

Starting 1 January 2015, IFRS, as adopted by EU will become the official accounting standards in Romania for entities regulated and monitored by the FSA - Financial Investment and Instruments Sector (including Fondul Proprietatea). In consequence, the IFRS accounting basis will become the tax basis going forward.

This accounting change results in deferred tax related to the equity investments at fair value through profit or loss, irrespective of the holding of the Fund in the share capital of the issuer.

As at 31 December 2014, the Fund recognised only the net deferred tax asset generated by the equity investments at fair value through profit or loss, considering that the negative changes in the fair value of these equity investments (tax deductible expenses) are due to temporary market conditions and are expected to be reversible in the foreseeable future, and, consequently, will be offset by future positive changes in fair value (taxable income).

In addition, as at 31 December 2014 and 31 December 2013, the Fund had temporary differences on equity investments available for sale, resulting in a potential future tax asset in amount of RON 277,711,292, respectively RON 100,910,009 (please see details in the table below). The Fund has assessed that sufficient taxable profits will not be available in the future for such assets to be recovered and, as a result, it was not recognised.

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(all amounts are in RON unless otherwise stated)

16. Deferred tax assets (continued)

The total temporary differences and related potential deferred tax asset and the part of the temporary differences and related deferred tax asset not recognised are summarised in the below table:

	31 December 2014	31 December 2013
Total temporary differences deductible (taxable)		
On equity investments	2,689,939,004	630,687,559
Fiscal loss carried forward	-	2,138,680
Total deferred tax asset at 16%	**430,390,241**	**101,252,198**
Out of which:		
Deferred tax asset recognised	(152,678,949)	(342,189)
Not recognised deferred tax asset	**277,711,292**	**100,910,009**

17. Other liabilities

	31 December 2014	31 December 2013
Investment Management and Administration fees	16,064,203	13,471,953
Payable to shareholders related to the return of capital	11,434,904	-
Provision for litigations	11,397,683	11,104,066
Prior years dividends payable	5,455,306	11,250,020
Payables related to treasury shares under settlement	3,468,114	-
Financial Supervisory Authority fees	1,164,865	1,262,977
Tax on dividends	-	1,423,830
Other liabilities	3,809,011	3,755,390
	52,794,086	**42,268,236**

The provisions for litigations are related to the legal case started by World Trade Center Bucharest against the Fund in August 2013, requesting the Fund to pay back the amounts recovered from the enforcement procedure against this company during 2010 and 2011 and to pay the related legal interest.

18. Shareholders' equity

(a) Share capital

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

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

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

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

Holders of unpaid shares are not entitled to vote or to receive dividends.

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

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

The movements in share capital components are presented below:

	Share capital paid in	Share capital unpaid	Total share capital
31 December 2012	**13,412,780,166**	**365,612,042**	**13,778,392,208**
Shares contributed in kind by the State	357,420	(357,420)	-
31 December 2013	**13,413,137,586**	**365,254,622**	**13,778,392,208**
Shares contributions in kind by State	1,433,610	(1,433,610)	-
Decrease of the nominal value of the shares	(658,705,091)	(18,199,279)	**(676,904,370)**
Cancellation of treasury shares	(1,286,207,951)	-	**(1,286,207,951)**
31 December 2014	**11,469,658,154**	**345,621,733**	**11,815,279,887**

(b) Fair value reserves on available for sale financial assets

The fair value reserves of RON 4,020,355,472 at 31 December 2014 (31 December 2013: RON 4,013,118,750) comprised the cumulative net change in the fair value of available for sale financial assets until the investments are derecognised or impaired.

18. Shareholders' equity (continued)

(c) Other reserves

	31 December 2014	31 December 2013
Legal reserve	243,735,507	192,259,194
Other reserves	366,461,792	120,299,557
	610,197,299	**312,558,751**

As required by the Romanian law, a minimum 5% of the statutory profit for the year must be transferred to the legal reserve until the reserve equals 20% of the issued share capital.

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

The legal reserve cannot be used for distributions to shareholders.

In 2014, the Fund transferred to the legal reserves an amount of RON 51,476,313 representing 5% of the 2014 statutory gross profit of RON 1,029,526,257 (in 2013: RON 34,107,720 representing 5% of the 2013 statutory gross profit of RON 682,154,399).

Other reserves comprise the part of 2006 and 2007 profit allocated to other reserves, in amount of RON 120,299,557 (31 December 2013: RON 120,299,557) and the reserves related to the gain on cancellation of treasury shares acquired at an acquisition value lower than the nominal value, in amount of RON 246,162,235 (31 December 2013: nil).

(d) Treasury shares

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

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

At the General Shareholders Meeting in November 2013, the shareholders approved a third buyback programme: the Fund Manager was authorised to repurchase a maximum number of 252,858,056 shares or 1.89% of the paid-up share capital, within 18 months starting the date when the shareholders' resolution is published in the Official Gazette, within the price range of RON 0.2 per share to RON 1.5 per share to be cancelled upon completion of the buyback programme. The execution of the third buy-back programme started on 25 March 2014 and until 23 July 2014, all 252,858,056 treasury shares were acquired, at a total acquisition value, including transaction costs, of RON 205,784,683.

18. Shareholders' equity (continued)

(d) Treasury shares (continued)

The shares acquired during the third buyback programme were not cancelled until 31 December 2014. The share capital decrease is effective beginning with 27 January 2015. For further details on the cancellation of shares acquired in the third buy-back programme, please see note 21.

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

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

(e) Dividends

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

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

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

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

19. Contingencies

1. Litigations

As at 31 December 2014 the Fund was involved in certain litigations, either as defendant or claimant. According to the requirements of the IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" the Fund discloses in the financial statements those which may have significant effects on the Fund's financial position or profitability. The most important litigations were as follows:

- Some minority shareholders of the Fund (acting individually) have filed litigations against the Fund on various grounds, including some seeking the cancellation of certain resolutions of the General Shareholders Meeting ("GSM") and others seeking to block the registration of some resolutions with the Trade Register. These litigations are at various stages of process within the Romanian Court system and updates are frequently reported by management through the Stock Exchange news system.
- In one of these cases, on 10 October 2012 the Bucharest Court of Appeal rejected the appeal filed by the Fund and upheld the decision of the Bucharest Court to partly admit a claim to annul certain resolutions from the 6 September 2010 GSM relating to (inter alia) approval of a new Constitutive Act and the first appointment of FTIML as the administrator of the Fund. Also, in November 2013 Court of Appeal has ruled against the Fund in a case filed by Sfiraiala and annulled the EGM Resolution no. 5/2010 for modifying the Constitutive Act.

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

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

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

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

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

2. Other contingencies of the Fund included:

1. The Fund is due to receive the following amounts from the Romanian State:
    - 3% of the amounts collected in by the institutions involved in the privatisation process from each sale of shares held with Romtelecom SA, until the sale of the entire participation;
    - 20% of the amounts resulting from the privatisation of Romtelecom SA;
    - 9.9% of the amounts resulting from the privatisation of C.E.C. SA.

19. Contingencies (continued)

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

2. The receivables from World Trade Center Bucharest SA:

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

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

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

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

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

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

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

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

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

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

20. Related parties

(a) Key management

	Year ended 31 December 2014	Year ended 31 December 2013
Remunerations		
Members of the Board of Nominees	900,000	779,052

There were no loans to or other transactions between the Fund and the members of the Board of Nominees in 2014 or in 2013.

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch is both the Fund Manager and Sole Director of the Fund.

The transactions carried between the Fund and Fund Manager were the following:

Transactions	Year ended 31 December 2014	Year ended 31 December 2013
Investment management and administration fees	56,479,028	45,273,318
Rental expense	86,289	104,237
Operating cost	22,951	28,894
	56,588,268	**45,406,449**

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

As at 31 December 2014 the total liability to Fund Manager related to the above mentioned transactions was in the amount of RON 17,189,421 (31 December 2013: RON 14,019,201).

There are no other elements of compensation for key management.

(b) Subsidiaries

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

	31 December 2014	31 December 2013
Ownership interest		
Alcom S.A.	72%	72%
Comsig S.A.	70%	70%
Primcom S.A.	69%	75%
Zirom S.A.	100%	100%

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

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

Before adoption of the Amendments, given the materiality considerations, investments in subsidiaries were not consolidated but accounted for in accordance with IAS 39, as available-for-sale financial assets, with changes in fair value recorded in equity (other comprehensive income). As a result of the adoption of Amendments, the Fund changed its accounting policies for investments in subsidiaries, measuring them at fair value through profit or loss.

20. Related parties (continued)

(b) Subsidiaries (continued)

The fair value of investments in subsidiaries is presented in the table below:

	31 December 2014	31 December 2013
Alcom S.A.	4,399,976	4,908,695
Comsig S.A.	1,538,490	1,629,011
Primcom S.A.	12,345,176	23,414,095
Zirom S.A.	39,338,000	43,464,000
	57,621,642	**73,415,801**

As at 31 December 2014, the Fund has no commitment or intention to provide financial or other support to its subsidiaries, including commitments or intentions to assist the subsidiaries in obtaining financial support. Also, no financial or other support was provided by the Fund during the reporting periods.

As at 31 December 2014 and 31 December 2013, there was no restriction on the ability of any of the subsidiaries to transfer funds to Fondul Proprietatea in any form of distributions.

(c) Associates

As at 31 December 2014, the Fund has three associates (31 December 2013: one associate), all of them incorporated in Romania:

	31 December 2014	31 December 2013
Ownership interest		
OMV Petrom S.A.	19%	19%
Societatea Nationala a Sarii S.A.	49%	*not associate in 2013*
Plafar S.A.	49%	*not associate in 2013*

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

The transactions carried between the Fund and its associates are presented below:

	Year ended 31 December 2014	Year ended 31 December 2013
Gross dividend income		
OMV Petrom S.A.	331,366,364	318,951,645
Societatea Nationala a Sarii S.A.	19,808,540	*not associate in 2013*

	31 December 2014	31 December 2013
Dividends received		
OMV Petrom S.A.	331,366,364	318,951,645
Societatea Nationala a Sarii S.A.	19,808,540	*not associate in 2013*

21. Subsequent events

21 January 2015 GSM Decisions

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

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

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

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

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

Updates on the Fourth and Fifth Buy-Back Programme

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

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

Updates on the Shares Cancelation

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

21. Subsequent events (continued)

Litigation regarding the shares in Conpet SA

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

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

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

This litigation was in progress as at 31 December 2014.This indicates that these conditions existed before the end of Fund's reporting period and meet the requirements of an adjusting event after the end of the reporting period. As a result, at 31 December 2014, the Fund recorded impairment adjustment for the holding in Conpet SA in amount of RON 10.7 million.

Applying IFRS as basis of accounting starting 1 January 2015

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

CONSOLIDATED
FINANCIAL STATETMENTS

for the year ended
31 December 2013

Prepared in accordance with International Financial Reporting Standards

(This is a translation from the official Romanian version)

FONDUL PROPRIETATEA

Fondul Proprietatea S.A.

FRANKLIN TEMPLETON INVESTMENTS

FONDUL PROPRIETATEA S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2013

Prepared in accordance with International Financial Reporting Standards

Contents

Deloitte.

Deloitte Audit SRL
Şos. Nicolae Titulescu nr. 4-8
Intrarea de est,
Etajul 2-zona Deloitte şi etajul 3
Sector 1, 011141, Bucureşti,
România

Tel.: +40 21 222 16 61
Fax: +40 21 222 16 60
www.deloitte.ro

To the shareholders of
Fondul Proprietatea S.A.
Bucharest, Romania

INDEPENDENT AUDITOR'S REPORT

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Fondul Proprietatea S.A. (the "Fund") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as of December 31, 2013, and the consolidated statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2 Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3 Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurances about whether the consolidated financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

7 We draw attention to Notes 20 (e) and 21 to the consolidated financial statements. As at December 31, 2013 the Fund has several unsettled litigations which are at different stages with the Romanian courts. Also, the Fund is in process of addressing certain regulatory matters with the relevant Romanian authorities. Some of the legal requirements relevant to the Fund and their implementation into practice may contradict and are subject to different legal interpretations by various regulatory authorities in Romania and therefore any change in interpretation increases legal risks for the Fund. The ultimate outcome and related impact of these legal and regulatory risks is uncertain. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified in respect of these matters.

Other Matters

8 This report is made solely to the Group's shareholders, as a body. Our audit work has been undertaken so that we might state to the Group's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

For signature, please refer to the original Romanian version.

Deloitte Audit S.R.L.
Bucharest, Romania
June 30, 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AS AT 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	Note	Year ended 31 December 2013	Year ended 31 December 2012
Gross dividend income	*6*	333,428,528	270,533,414
Gains on disposal of equity investments	*7*	117,924,426	17,878,048
Interest income	*8*	36,143,817	34,922,880
Reversal of impairment losses/ (impairment losses) on dividends receivable, net		46,907,126	(46,209,651)
Reversal of impairment losses/ (impairment losses) on receivables in respect of equity contributions, net		(9,038,221)	5,211,070
Impairment losses on equity investments	*16*	(835,772,382)	(772,364,379)
Impairment losses on other assets		(194,535)	(878,300)
Share of profit in associates (net of income tax)		916,085,196	793,560,710
Net foreign exchange gains / (losses)		34,102	(217,729)
Other operating income, net		3,130,519	3,949,848
Net operating income		**608,648,576**	**306,385,911**
Personnel expenses		(947,635)	(658,639)
Other operating expenses	*9*	(87,691,418)	(58,913,209)
Operating expenses		**(88,639,053)**	**(59,571,848)**
Profit before income tax		**520,009,523**	**246,814,063**
Income tax (expense)/ benefit	*10*	(280,720,184)	118,659,281
Profit of the year		**239,289,339**	**365,473,344**
Other comprehensive income			
Net change in fair value of available-for-sale equity investments	*16*	4,064,137,458	(80,205,252)
Deferred tax on other comprehensive income	*10*	16,887,972	12,832,841
Decrease in fair value reserve following the disposal of available-for-sale equity investments		(168,172,328)	-
Total other comprehensive income		**3,912,853,102**	**(67,372,411)**
Total comprehensive income for the period		**4,152,142,441**	**298,100,933**
Basic and diluted earnings per share		**0.0174**	**0.0265**

The consolidated financial statements were authorised for issue on 30 June 2014 by:

Grzegorz Maciej Konieczny
as Legal Representative on behalf of
Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch
acting in the capacity of Sole Director of Fondul Proprietatea S.A.

The notes on pages 8 to 49 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	Note	**31 December 2013**	**31 December 2012**
Assets			
Cash and current accounts	*11*	5,552,477	1,857,628
Deposits with banks	*12*	232,110,013	317,309,452
Treasury bills	*13*	129,887,375	454,732,857
Government bonds	*13*	83,748,146	-
Dividends receivable	*14*	-	799,994
Equity investments	*16*	9,253,617,165	6,393,201,506
Investment in associate	*17*	5,059,270,088	4,706,829,818
Deferred tax assets	*18*	342,189	229,462,919
Other assets		3,624,222	2,189,054
Total assets		**14,768,151,675**	**12,106,383,228**
Liabilities			
Other liabilities	*19*	42,268,236	21,064,179
Total liabilities		**42,268,236**	**21,064,179**
Equity			
Share capital	*20*	13,778,392,208	13,778,392,208
Fair value reserve on available-for-sale financial assets	*20*	4,042,784,000	129,930,898
Other reserves	*20*	312,558,751	278,451,032
Treasury shares	*20*	(1,095,093,250)	(120,268,583)
Accumulated losses		(2,312,758,270)	(1,981,186,506)
Total equity		**14,725,883,439**	**12,085,319,049**
Total liabilities and equity		**14,768,151,675**	**12,106,383,228**

The notes on pages 8 to 49 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Treasury shares	Accumulated losses	Total attributable to the equity holders of the Fund
Balance at 31 December 2011	**13,778,392,208**	**197,303,309**	**250,102,759**	**(120,268,583)**	**(1,838,524,990)**	**12,267,004,703**
Comprehensive income for the period						
Profit for the year	-	-	-	-	365,473,344	**365,473,344**
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	(80,205,252)	-	-	-	**(80,205,252)**
Share of income and expense recognised directly in the equity of associates (net of income tax)	-	-	-	-	27,871,930	**27,871,930**
Income tax on income and expense recognised directly in equity	-	12,832,841	-	-	-	**12,832,841**
Total other comprehensive income	**-**	**(67,372,411)**	**-**	**-**	**27,871,930**	**(39,500,481)**
Total comprehensive income for the period	**-**	**(67,372,411)**	**-**	**-**	**393,345,274**	**325,972,863**
Transactions with owners, recorded directly in equity						
Transfer to other reseves	-	-	28,348,273	-	(28,348,273)	-
Dividends declared	-	-	-	-	(507,658,517)	(507,658,517)
Total transactions with owners recorded directly in equity	**-**	**-**	**28,348,273**	**-**	**(536,006,790)**	**(507,658,517)**
Balance at 31 December 2012	**13,778,392,208**	**129,930,898**	**278,451,032**	**(120,268,583)**	**(1,981,186,506)**	**12,085,319,049**

The notes on pages 8 to 49 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Treasury shares	Accumulated losses	Total attributable to the equity holders of the Fund
Balance at 31 December 2012	**13,778,392,208**	**129,930,898**	**278,451,032**	**(120,268,583)**	**(1,981,186,506)**	**12,085,319,049**
Comprehensive income for the period						
Profit for the year	-	-	-	-	239,289,339	**239,289,339**
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	4,064,137,458	-	-	-	**4,064,137,458**
Share of income and expense recognised directly in the equity of associates (net of income tax)	-	-	-	-	(316,179)	**(316,179)**
Decrease in fair value following the disposal of available-for-sale equity investments	-	(168,172,328)	-	-	-	**(168,172,328)**
Income tax on income and expense recognised directly in equity	-	16,887,972	-	-	-	**16,887,972**
Total other comprehensive income	**-**	**3,912,853,102**	**-**	**-**	**(316,179)**	**3,912,536,923**
Total comprehensive income for the period	**-**	**3,912,853,102**	**-**	**-**	**238,973,160**	**4,151,826,262**
Transactions with owners, recorded directly in equity						
Transfer to other reseves	-	-	34,107,719	-	(34,107,719)	-
Buybacks	-	-	-	(974,824,667)	-	(974,824,667)
Dividends declared	-	-	-	-	(536,437,205)	(536,437,205)
Total transactions with owners recorded directly in equity	**-**	**-**	**34,107,719**	**(974,824,667)**	**(570,544,924)**	**(1,511,261,872)**
Balance at 31 December 2013	**13,778,392,208**	**4,042,784,000**	**312,558,751**	**(1,095,093,250)**	**(2,312,758,270)**	**14,725,883,439**

The notes on pages 8 to 49 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	Year ended 31 December 2013	Year ended 31 December 2012
Cash flows from operating activities		
Proceeds from sale of equity instruments	570,774,069	207,870,803
Disposals and Maturity of treasury bills and bonds	1,283,136,960	282,590,748
Acquisitions of treasury bills and bonds	(1,037,189,824)	(537,215,621)
Interest received	33,209,977	30,329,419
Dividends received (net of withholding tax)	377,335,290	272,246,179
Dividends from associates	318,951,645	353,125,036
equivalents	3,330	(200,367)
Interest and penalities received in relation with the dividends late payments	1,439,583	1,756,213
Subscriptions to share capital increase of portfolio companies	(42,713,841)	(2,539,840)
Other receipts	-	158,362
Income tax paid	-	(121,794)
Salaries and related taxes paid	(968,578)	(686,412)
Suppliers and other taxes and fees paid	(78,792,523)	(76,280,760)
Acquisition of equity investments	-	(62,217)
Net cash flows from operating activities	**1,425,186,088**	**530,969,749**
Cash flows from financing activities		
Dividends paid (including related taxes)	(530,673,777)	(510,476,930)
Acquisition of treasury shares	(974,824,667)	-
Net cash flows used in financing activities	**(1,505,498,444)**	**(510,476,930)**
Net increase in cash and cash equivalents	**(80,312,356)**	**20,492,819**
Cash and cash equivalents at the beginning of the period	317,885,971	297,393,152
Cash and cash equivalents at the end of the period	**237,573,615**	**317,885,971**

	31 December 2013	31 December 2012
Cash	5,552,477	1,857,628
Bank deposits with original maturities of less than three months	232,021,138	316,028,343
	237,573,615	**317,885,971**

The notes on pages 8 to 49 are an integral part of these consolidated financial statements.

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, Buzeşti 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".

The consolidated financial statements of the Fund for the year ended 31 December 2013 comprise the Fund and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates.

2. Basis of preparation

(a) Statement of compliance

These financial statements are the annual consolidated financial statements of Fondul Proprietatea and were prepared for the year ended 31 December 2013 in accordance with the International Financial Reporting Standards ("IFRS") as adopted by European Union ("EU").

2. Basis of preparation (continued)

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for the equity investments that are listed on an active market, the equity investments that are unlisted, but for which fair values reliably measured using valuation techniques were available, 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 Group'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 4 – Financial risk management;
- Note 9 – Other operating expenses;
- Note 16 –Equity investments (for valuation);
- Note 18 – Deferred tax assets and liabilities;
- Note 19 – Other liabilities;
- Note 21 – Contingencies.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Group reclassified in the Statement of comprehensive income for the year ended 31 December 2012, the income from the category reversal of impairment losses of equity investments into the category gain / loss on disposal of equity investments, in order to be consistent with current period presentation.

Change in accounting estimates

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement* "If a reliable measure becomes available for a financial asset or financial liability for which such a measure was previously not available, and the asset or liability is required to be measured at fair value if a reliable measure is available, then the asset or liability shall be remeasured at fair value".

3. Significant accounting policies (continued)

As at 31 December 2013, the Group reclassified part of its unlisted equity investments previously measured at cost into the category equity instruments measured at fair value, because fair values were available for these holdings, at this date. The fair values for these equity instruments were assessed by independent valuers, using valuation methods in accordance with International Valuation Standards (fair value principles). The effect of this change in accounting estimates was reflected from the date when fair values for these equity investments were available (31 December 2013) and did not imply any restatement of comparative figures.

(a) Subsidiaries and associates

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account, when applicable.

The lists of subsidiaries at 31 December 2013 are disclosed in note 22.

Given the materiality considerations, investments in subsidiaries are accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement,* as available-for-sale financial assets (see accounting policy 3 (c) below).

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. The existence of significant influence is determined by analysing the ownership structure of the companies in which the Fund holds 20% or more of the voting power of the investee, their articles of incorporation and the Fund's power to participate in the financial and operating policy decisions of the investee. However in situations where the Fund holds less than 20% of the voting power of an investee, it is a significant shareholder and demonstrates that it has significant influence through Board representation and participates in the policy making decisions, this investee is treated as an associate.

The Fund does not exercise significant influence in a number of companies in which it holds between 20 and 50% of the voting power, where the Fund's rights as minority shareholder are protective in nature, and not participative and where the major shareholder, or a group of shareholders holding majority ownership of the investee, operates without regard to the views of the Fund.

Associates are accounted for using the equity method and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The associates at 31 December 2013 are disclosed in note 17.

3. Significant accounting policies (continued)

(a) Subsidiaries and associates (continued)

(iii) Acquisitions from entities under common control

The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the entities' IFRS financial statements.

(b) Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

The exchange rates of the main foreign currencies published by the National Bank of Romania at 31 December 2013 were as follows: 4.4847 RON/EUR; 3.2551 RON/USD and 5.3812 RON/GBP (31 December 2012: 4.4287 RON/EUR; 3.3575 RON/USD and 5.4297 RON/GBP).

(c) Financial assets and liabilities

(i) Recognition

The Group recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value plus any directly attributable transaction costs (including brokerage fees), except for the investments in equity securities whose fair value cannot be reliably measured, which are recognised initially at cost.

The cost of equity investments which are contributed in kind by the Romanian State to the Fund's share capital is determined in accordance with the provisions of Law 247/2005, as follows:

- for the shares received at the Fund's establishment in December 2005, the cost is equal:
  - either to the weighted average price of the last 90 trading days, provided that the last of the 90 trading days is not more than 60 days prior to 24 November 2005, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
  - or to the book value of the shareholders' equity at 31 December 2004, according to the statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the shares received in June 2007, the cost is equal:
  - either to the weighted average price of the last 90 trading days prior to 29 June 2007, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(i) Recognition (continued)

  - or to the book value of the shareholders' equity at 31 December 2006, determined in accordance with statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;

- for the additional shares received in companies owned by the Romanian State and to which the State has made contributions in kind, which are received by the Fund so as not to dilute its shareholding in such companies, the cost for the Fund is determined at the par value of the shares received.

Mergers of portfolio companies are recognised at the date when the merger is registered at the Trade Register.

The bonus shares received by the Fund from portfolio companies that increased their share capital through incorporation of reserves are not recognised.

(ii) Classification

See accounting policies 3(d), (e), (f) and (g).

(iii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Gains or losses arising from derecognition of a financial asset are calculated based on proceeds on disposal of financial assets and assets historical cost / initial valuation and are recorded in the profit or loss. The Group uses the weighted average cost method (WAC) to determine the cost / initial valuation of financial assets disposed of. The inventory relief method used for the disposal of treasury bills and government bonds is "first-in first-out" (FIFO) method.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(vi) Fair value measurement

Policy applicable starting 1 January 2013

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 Group measures the fair value of an 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 value of financial assets - equity instruments that are not traded in an active market - is determined by independent valuators, using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used are generally recognised as standard within the industry and include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The Group uses valuation techniques that maximises 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. The valuation reports were prepared as at 30 September 2013, with a base of financial information available and used from the companies under valuation as at the respective date. The Group is assessing and analysing available financial information from the portfolio companies, for the period between the date of the financial information used for the valuation reports to the end of the reporting period. If any significant change which may impact the fair values becomes available, the Fund is requesting the independent valuer to adjust the valuation, to the extent that the financial assets are reflected in the financial statements at their fair value.

The output of a valuation model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(vi) Fair value measurement (continued)

The Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Policy applicable before 1 January 2013

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument at the reporting date. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for an equity security is not active, the Group tries to establish fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flows analysis. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets are measured at a bid price and liabilities are measured at an ask price.

(vii) Identification and measurement of impairment

At each reporting date, the Group assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against the financial assets. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Available for sale financial assets – equity investments

Impairment losses on equity investments carried at fair value are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If, in a subsequent period, the fair value of an impaired equity investment increases, the recovery is recognised directly in equity.

In determining that equity investments are impaired, the Group considers all relevant factors, such as significant or prolonged decline in fair value below cost, market and industry conditions, to the extent that they influence the recoverable amount of the investment, financial conditions and near-term prospects of the issuer, including any specific adverse events that may influence the issuer’s operations, recent losses of the issuer, qualified independent auditor’s report on the issuer's most recent financial statements etc.

Impairment losses on equity investments carried at cost (where their fair value cannot be reliably measured) are measured as the difference between the carrying amount and an estimate of present value of future cash flows, determined using generally accepted valuation techniques.

Losses are recognised in profit or loss and are not reversed.

(d) Cash and deposits with banks

Cash includes notes and coins in hand and current accounts held with banks.

Deposits with banks include deposits with original maturities of less than three months and deposits with original maturities of more than three months and less than one year.

Cash and deposits with banks are carried at amortised cost in the statement of financial position.

Deposits with banks with original maturities of less than three months are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(e) Held to maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. The Group did not classify any investments as held-to-maturity as at 31 December 2013 and 31 December 2012.

3. Significant accounting policies (continued)

(f) Available-for-sale financial assets

The Group's investments in treasury bills, government bonds and in equity securities are classified as available-for-sale financial assets.

(i) Equity investments carried at fair value

Subsequent to initial recognition, equity investments (other than those described at section (ii) below) are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity.

When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(ii) Equity investments carried at cost

Investments in equity securities that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured using a valuation technique, are measured at cost, subject to impairment testing.

(g) Other financial assets and liabilities

Other financial assets and liabilities are measured at amortised cost using the effective interest method, less any impairment losses (in case of financial assets).

(h) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment losses and are amortised on a straight-line basis over a period of three years. The Group intangible assets consist of computer software licenses and software development and implementation costs.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(i) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant accounting policies (continued)

(j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(l) Dividend income

Dividend income relating to listed equity investments is recognised in profit or loss on the ex-dividend date. Dividend distributions from unlisted equity investments are recognised in profit or loss as dividend income when declared.

When the Group receives or chooses to receive dividends in the form of additional shares rather than cash, the dividend income is recognised for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

When bonus shares are received with no cash alternative and only certain shareholders are granted additional shares, the shares received are measured at fair value and a corresponding amount of dividend income is recognised. However, if all shareholders receive bonus shares in proportion to their shareholdings, no dividend income is recognised as the fair value of the Group’s interest should be unaffected by the bonus issue.

For late dividend payments, the Group initiates legal recovery measures (conciliation, litigations etc.). The Group is entitled to charge penalties for overdue net dividends, applying the legal penalty interest rate according to the legislation in force. Penalty income on dividends is recognised in the financial year when collection is virtually certain.

Dividend income is presented gross of dividend withholding taxes, which are recognised as income taxes.

(m) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Interest income relates to current accounts, deposits held with banks, treasury bills and government bonds.

(n) Income from sale of securities

Gains or losses from the disposal of the financial assets are recognised in profit or loss at the date of derecognising of the financial assets. When an equity investments carried at fair value is derecognised, on sale or other disposal, or is impaired, the cumulative fair value changes recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

3. Significant accounting policies (continued)

(o) Foreign currency gains and losses

Foreign currency gains and losses are reported on a net basis and include realised and unrealised foreign exchange differences.

(p) Expenses

All expenses are recognised in profit or loss on an accrual basis.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax includes also dividend withholding taxes.

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends by the Group are recognised at the same time as the liability to pay the related dividend is recognised.

The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

The applicable tax rates are 16% (standard tax rate and also, the dividend withholding tax).

3. Significant accounting policies (continued)

(r) Employee benefits

(i) Pensions and other post-retirement benefits

The Fund, in the normal course of business, makes payments to the Romanian State on behalf of its employees. All employees of the Fund are members of the Romanian State pension plan.

The Fund does not operate any other pension scheme or postretirement benefit plan and, consequently, has no obligation in respect of pensions. In addition, the Fund is not obliged to provide further benefits to its employees.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Fund is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Fund has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(s) Treasury shares

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

(t) Dividend payable

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

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

(u) Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards issued by the International Accounting Standards Board and adopted by the European Union (“EU”) are effective for the current period:

- IFRS 13 "Fair Value Measurement", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 1 "Presentation of financial statements" - Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),

3. Significant accounting policies (continued)

(u) Standards and Interpretations effective in the current period (continued)

- Amendments to IAS 12 "Income Taxes"- Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 19 "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to various standards "Improvements to IFRSs (cycle 2009-2011)" resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013),
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The adoption of these amendments to the existing standards, except IFRS 13, did not lead to any changes in the Group’s accounting policies.

(v) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- IFRS 10 “Consolidated Financial Statements”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 “Joint Arrangements”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 “Disclosures of Interests in Other Entities”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (revised in 2011) “Separate Financial Statements”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements” – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 “Financial instruments: presentation” – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 “Impairment of assets” - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),

3. Significant accounting policies (continued)

(v) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective (continued)

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The Group anticipates that the adoption of these standards, revisions and interpretations, except for IAS 27, IAS 31, IAS 36, IAS 39 and Amendments to IFRS 10, IFRS 12 and IAS 27 (regarding Investment Entities) will have no material impact on its financial statements in the period of initial application.

Impact of the application of Amendments to IFRS 10, IFRS 12 and IAS 27 regarding "Investment Entities"

The Fund did not early adopt the Amendments to IFRS 10, IFRS 12 and IAS 27 regarding Investment entities in its financial statements for the year ended 31 December 2013. The Fund will apply the Amendments in the year starting 1 January 2014 when the amendments become effective.

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.

(w) Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations,, which were not endorsed for use as at the date of authorisation of these financial statements:

- IFRS 9 "Financial Instruments" and subsequent amendments (effective date was not yet determined),
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014).

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations, except for IFRS 9, will have no material impact on its financial statements in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principals have not been adopted by the EU, is still unregulated. According to the Group's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

4. Financial risk management

The Group's investment portfolio comprises listed and unlisted equity investments.

The Group's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The most important types of financial risks to which the Group is exposed are market risk, credit risk and liquidity risk.

Starting from 29 September 2010 the Fund Manager implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

(a) Market risk

Market risk is the risk that changes in market prices and rates, such as equity prices, interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to its issuer or factors affecting all instruments traded in the market.

Equity price risk arises from changes in the value of available-for-sale equity securities and is the primary risk impacting the Group. Diversification across securities and industries, to the possible extent given the unique investment mandate, is the primary technique for mitigating equity price risk. The Group has concentrated exposure to the "Power utilities: generation", "Oil and gas", and "Power and gas utilities industries: transport and distribution" sectors.

The companies in which the Group holds equity securities operate in different industries.

The Group's exposure to industries was as follows:

	31 December 2013	31 December 2012
Oil and gas	2,097,003,793	517,134,403
Power utilities: generation	2,733,504,783	3,252,930,823
Power and gas utilities: transport, distribution, supply	3,259,422,077	1,579,714,678
Banks	458,174,184	437,936,339
Infrastructure	361,491,795	205,006,057
Heavy industry	147,808,896	142,420,748
Aluminium	105,464,181	145,769,428
Postal services	60,790,000	80,822,000
Others	29,957,456	31,467,030
	9,253,617,165	**6,393,201,506**

The Group has equity investments of RON 3,123,587,343 at 31 December 2013 (31 December 2012: RON 1,194,796,125) listed on the Bucharest Stock Exchange (at either BSE or RASDAQ segment) or Vienna Stock Exchange.

For such investments, a ten per cent increase in the BET-C, respectively ATX index at the reporting date would have increased equity by RON 192,169,750 after tax (2012: RON 104,649,177); an equal change in the opposite direction would have decreased equity by RON 192,169,750 after tax (2012: RON 104,649,177). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

4. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group places cash into fixed rate bank deposits original maturities of more than one month and less than six months, and into treasury bills and government bonds with original maturities of up to one year.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Fixed rate instruments	**31 December 2013**	**31 December 2012**
Bank deposits with original maturities of less than three months	232,021,138	316,028,343
Treasury bills	129,887,375	454,732,857
Government bonds	83,748,146	-
	445,656,659	**770,761,200**

(iii) Currency risk

The Group is exposed to currency risk on current accounts and deposits held with banks and receivables and payables that are denominated in foreign currencies, i.e. EUR, USD or GBP, but the balances were not significant during the reporting period.

The local currency depreciated compared to the EUR (from 4.4287 at 31 December 2012 to 4.4847 at 31 December 2013), appreciated compared to the USD (from 3.3575 at 31 December 2012 to 3.2551 at 31 December 2013) and appreciated compared to the GBP (from 5.4297 at 31 December 2012 to 5.3812 at 31 December 2013).

The Group's exposure to currency risk was as follows:

	31 December 2013	**31 December 2012**
RON		
Monetary assets		
Petty cash	186	2,391
Current accounts with banks	1,706,762	1,852,096
Bank deposits with original maturities of less than three months	232,021,138	316,025,831
Interest accrued on bank deposits	88,875	1,281,109
Treasury bills	129,887,375	454,732,857
Government bonds	83,748,146	-
Dividends receivable	-	799,994
Other receivables	1,281,856	1,385,165
	448,734,338	**776,079,443**
Monetary liabilities		
Other liabilities	(42,253,380)	(20,841,591)
	(42,253,380)	**(20,841,591)**
	406,480,958	**755,237,852**

4. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

	31 December 2013	31 December 2012
EUR (in RON equivalent)		
Monetary assets		
Current accounts with banks	3,845,529	3,141
Bank deposits with original maturities of less than three months	-	2,512
Other receivables	2,342,366	803,888
	6,187,895	**809,541**
Monetary liabilities		
Other liabilities	(14,856)	(222,588)
	(14,856)	**(222,588)**
	6,173,039	**586,953**

	31 December 2013	31 December 2012
USD (in RON equivalent)		
Monetary assets		
Current accounts with banks	377	-
GBP (in RON equivalent)		
Monetary assets	156	-
Current accounts with banks		

A ten percent strengthening of the RON against the EUR as at 31 December would have decreased profit or loss by the amount shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2012.

Profit or loss	31 December 2013	31 December 2012
EUR	(617,304)	(58,695)
USD	(38)	-
GBP	(16)	-

As at 31 December 2013, the Group held equity investments denominated in Euro with a fair value of EUR 27,402,896 (RON 122,893,769 equivalent).

As at 31 December 2012, the Group held equity investments denominated in Euro with a fair value of EUR 36,387,261 (RON 161,148,206 equivalent).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

4. Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills, government bonds and dividends receivable. The Group's maximum exposure to credit risk from cash and deposits with banks was RON 237,662,304 at 31 December 2013 (31 December 2012: RON 319,164,689).

Cash and deposits are held with the following banks:

	31 December 2013	31 December 2012
Cash and deposits held with		
Unicredit Tiriac Bank	75,057,641	40,212,147
ING Bank	75,029,849	17,247,810
CITI Bank	58,003,992	88,855,134
BRD - Groupe Societe Generale	29,511,355	9,488,306
B.C.R.	58,733	71,177,973
Raiffeisen Bank	427	52,025,192
RBS Bank	306	40,158,127
	237,662,304	**319,164,689**

(i) Cash and deposits with banks

Current accounts and deposits are held with banks in Romania.

The Fund Manager established a formal policy regarding bank counterparty risks and limits. The Fund only establishes new deposits with financial institutions where the institution or the institution's corporate parent, have a credit rating above investment grade (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

(ii) Treasury bills

The Group's maximum exposure to credit risk from treasury bills was RON 129,887,375 as at 31 December 2013 (31 December 2012: RON 454,732,857).

As of 31 December 2013, the Group held the following treasury bills with discount, denominated in RON:

ISIN	Value as at 31 December 2013	Settlement Date	No. of units	Interest rate	Maturity date
RO1314CTN0E7	53,519,131	23-Dec-13	10,800	2.72%	30-Apr-14
RO1314CTN060	44,630,882	27-Jun-13	4,500	4.35%	12-Mar-14
RO1314CTN060	31,737,362	02-Jul-13	3,200	4.35%	12-Mar-14
Total	**129,887,375**				

4. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Government bonds

The Group's maximum exposure to credit risk from government bonds was RON 83,748,146 as at 31 December 2013 (31 December 2012: nil).

As of 31 December 2013, the Group held the following government bonds, denominated in RON:

ISIN	Value as at 31 December 2013	Settlement Date	No. of units	Coupon rate	Maturity date
RO1214DBN027	48,971,641	14-Aug-13	4,647	5.95%	23-Apr-14
RO1214DBN027	34,776,504	23-Dec-13	3,300	5.95%	23-Apr-14
Total	**83,748,146**				

(iv) Dividends receivable

The Group's exposure to credit risk from dividends receivable was nil at 31 December 2013 (31 December 2012: RON 799,994).

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the residual maturities of the Group's financial assets and financial liabilities:

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2013				
Financial assets				
Cash and current accounts	5,552,477	-	-	-
Deposits with banks	232,110,013	-	-	-
Treasury bills	-	76,368,245	53,519,130	-
Government bonds	-	-	83,748,146	-
Dividends receivable	-	-	-	-
Equity investments	-	-	-	9,253,617,165
Other receivables	3,624,222	-	-	-
	241,286,712	**76,368,245**	**137,267,276**	**9,253,617,165**
Financial liabilities				
Other liabilities	42,268,236	-	-	-
	42,268,236	**-**	**-**	**-**

4. Financial risk management (continued)

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2012				
Financial assets				
Cash and current accounts	1,857,628	-	-	-
Deposits with banks	317,309,452	-	-	-
Treasury bills	131,728,059	113,827,183	209,177,615	-
Dividends receivable	799,994	-	-	-
Equity investments	-	-	-	6,393,201,506
Other receivables	2,189,053	-	-	-
	453,884,186	**113,827,183**	**209,177,615**	**6,393,201,506**
Financial liabilities				
Other liabilities	21,064,179	-	-	-
	21,064,179	**-**	**-**	**-**

The Group’s equity investments include unlisted securities, which are not traded in a regulated market and generally may be considered be illiquid. As a result, the Group may not be able to liquidate quickly some of its investments in these instruments in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the credit worthiness of any particular issuer.

The Group’s listed equity securities are listed on the Bucharest Stock Exchange or on the Vienna Stock Exchange. However, not all listed shares listed on Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions.

(d) Taxation risk

On 1 January 2007 Romania became a member of the European Union (“EU”) and therefore has to apply detailed and complex rules on the basis of the EU Treaties, Regulations and Directives. The Group had to conform to EU legislation from 1 January 2007 and, therefore, it has prepared to apply the changes arising from the EU legislation. These changes were implemented and the tax authorities had up to 5 years to audit the way these changes were implemented.

Interpretation of the text and practical implementation procedures of the EU tax regulations could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Group’s treatment.

Furthermore, the Romanian Government has a number of agencies that are authorised to conduct audits (controls) of companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Group will continue to be subject to regular controls as new laws and regulations are issued.

4. Financial risk management (continued)

(e) Operating environment

The on-going global credit and liquidity crisis has resulted in, among other things, lower liquidity levels and difficult access to the capital markets and across the Romanian banking sector.

Continuing fear that a deterioration of financial conditions in Europe could contribute to a further retrenchment in investor confidence prompted coordinated efforts by governments and central banks to adopt special measures. These efforts helped to restore some degree of confidence in the market and have helped return the market to a more functional condition. However, political and economic turmoil in the emerging markets is expected to continue, and this can impact the value of the Romanian economy, and consequently the Fund's portfolio companies and its shares.

Management is unable to predict all developments which could have an impact on the Romanian financial sector and consequently what effect, if any, they could have on these financial statements.

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

(f) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, service providers, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

(g) Capital management

Group's policy is to maintain a strong capital base so as to maintain shareholders' confidence and to sustain future developments.

The Group's capital (shareholders' equity) comprises share capital, fair value and other reserves and retained earnings. The shareholders' equity was RON 14,725,883,439 at 31 December 2013 (31 December 2012: RON 12,085,319,049).

The Group was not subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

5. Financial assets and financial liabilities

Accounting classifications and fair values

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

	Loans and receivables	Held to maturity	Available-for-sale	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 at fair value	-	-	8,978,256,343	-	8,978,256,343	8,978,256,343
Equity investments at cost	-	-	275,360,822	-	275,360,822	Not available
Other receivables	3,624,222	-	-	-	3,624,222	3,624,222
Other liabilities	-	-	-	(42,268,236)	(42,268,236)	(42,268,236)
	241,286,712	**-**	**9,467,252,686**	**(42,268,236)**	**9,666,271,162**	**Not available**

	Loans and receivables	Held to maturity	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2012						
Cash and current accounts	1,857,628	-	-	-	1,857,628	1,857,628
Deposits with banks	317,309,452	-	-	-	317,309,452	317,309,452
Treasury bills	-	-	454,732,857	-	454,732,857	454,732,857
Dividends receivable	799,994	-	-	-	799,994	799,994
Equity investments at fair value	-	-	1,194,796,126	-	1,194,796,126	1,194,796,126
Equity investments at cost	-	-	5,198,405,380	-	5,198,405,380	Not available
Other receivables	2,189,053	-	-	-	2,189,054	2,189,054
Other liabilities	-	-	-	(21,064,179)	(21,064,179)	(21,064,179)
	322,156,127	**-**	**6,847,934,363**	**(21,064,179)**	**7,149,026,312**	**Not available**

5. Financial assets and financial liabilities (continued)

As at 31 December 2013 and 31 December 2012, management estimated that the dividends receivable for which no impairment losses were recognised would be collected within a short period of time and therefore their carrying amount approximated fair value.

Equity investments carried at cost do not have reliably measurable fair values.

6. Gross dividend income

	Year ended 31 December 2013	Year ended 31 December 2012
Romgaz SA	158,941,766	140,639,003
Transgaz SA	37,568,760	52,515,091
E.ON Gaz Distributie SA	29,933,522	-
GDF Suez Energy Romania SA	22,800,000	-
Electrica Distributie Muntenia Nord SA	16,206,229	1,801,112
Complexul Energetic Oltenia SA	12,312,014	-
Societatea Nationala a Sarii SA	9,297,643	87,602
Electrica Furnizare SA	9,260,589	-
CN Aeroporturi Bucuresti SA	9,135,228	9,415,274
Conpet SA	8,403,049	6,612,533
CN Administratia Porturilor Maritime SA	5,355,571	6,570,224
Raiffeisen Bank International AG	4,433,195	4,052,568
Transelectrica SA	3,997,666	10,884,733
Nuclearelectrica SA	2,769,286	-
CN Administratia Canalelor Navigabile SA	856,672	525,946
Aeroportul International Timisoara - Traian Vuia SA	672,674	1,687,638
Alro SA	-	23,066,500
Complexul Energetic Rovinari SA	-	6,457,434
BRD - Group Societe General SA	-	4,237,166
Others	1,484,664	1,980,590
	333,428,528	**270,533,414**

The dividend income was subject to 16% withholding tax for Romanian equity investments and 5% withholding tax for Austrian equity investments. In cases where the relevant shareholding was larger than 10% for at least two years prior to the dividend distribution, no withholding tax was due.

7. Gains on disposal of equity investments and associates

During 2013, the Fund finalised the disposal of its holding in Commetex SA and sold its entire holdings in Carom - Broker de Asigurare SA, Mecanoenergetica SA, Ciocarlia SA, Telerom Proiect SA, Celuloza si Otel SA, Transgaz SA and part of the holding in Raiffeisen Bank International AG. Also, in May 2013, the Fund disposed of 632,482,000 shares in OMV Petrom SA, accounting for approximately 1.1% of the company's share capital. In 2013, the gain on disposal of these equity investments was RON 117,924,425 representing the difference between the proceeds from disposals (RON 573,117,053) and the carrying values of the equity investments as at disposal date (RON 655,397,780), plus the net unrealised gain related to these investments disposed, transferred from change in fair value reserve to profit or loss upon their derecognition (RON 200,205,152).

7. Gains on disposal of equity investments (continued)

In 2012, the gain on disposal of these equity investments was RON 17,878,048 representing the difference between the proceeds from disposals (RON 208,134,752) and the carrying values of the equity investments as at disposal date (RON 190,256,704). The amount of RON 4,798,715, classified at that time as Reversal of impairment losses of equity investments, was reclassified under the category Gain on disposal of equity investments, to be consistent to current year presentation.

8. Interest income

Interest income amounting to RON 36,143,817 in 2013 (2012: RON 34,922,880) arose from deposits held with banks, treasury bills and short-term government bonds.

9. Other operating expenses

	Year ended 31 December 2013	Year ended 31 December 2012
Investment management and administration fees	45,273,318	34,325,088
Financial Supervisory Authority fees	15,098,151	14,113,438
Depositary fee	1,780,597	1,675,454
Brokerage fees for selling of holdings in portfolio companies	7,653,492	351,522
Third party services	14,513,194	7,287,927
Other operating expenses	3,372,666	1,159,780
	87,691,418	**58,913,209**

Third party services increase was mainly due to the higher level of legal fees.

10. Income tax expense

	Year ended 31 December 2013	Year ended 31 December 2012
Current tax expense		
Dividend withholding tax	(2,678,657)	(4,687,167)
Prior year income tax adjustment	-	23,214
	(2,678,657)	**(4,663,953)**
Deferred tax related to:		
Equity investments	(277,861,464)	122,810,506
Fiscal loss carried forward	(180,063)	522,252
Provisions for restructuring	-	(9,524)
	(278,041,527)	**123,323,234**
Total income tax/ (expense) benefit	**(280,720,184)**	**118,659,281**

The effective tax rate used to calculate the deferred tax position of the Group for the years ended 31 December 2013 and 31 December 2012 was 16% (standard tax rate).

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(all amounts are in RON unless otherwise stated)

10. Income tax expense (continued)

	Year ended 31 December 2013	Year ended 31 December 2012
Reconciliation of effective tax rate		
Profit for the period	239,289,339	365,473,344
Income tax (expense) / benefit	(280,720,184)	118,659,281
Profit excluding income tax	**520,009,523**	**246,814,063**
Income tax using the standard tax rate (16%)	**(83,201,524)**	**(39,490,250)**
Effect of:		
Lower tax rate on dividend income	50,118,647	38,152,397
Presentation of share of profit in associates, net of income tax	146,573,631	126,969,613
Impact of partial disposal of investment in associates	(20,783,656)	-
Profit appropriation to legal reserve	298,564	-
Other non-taxable income	7,591,576	833,771
Other non-deductible expenses	(1,982,699)	(7,626,955)
Austrian dividend withholding tax	(256,189)	(202,510)
Reversal of deferred tax following the changes in the fiscal legislation	(277,861,465)	-
Impact of non-recognition of deferred tax asset on equity investments	(101,217,069)	-
Prior year profit tax correction	-	23,215
Total income tax/ (expense) benefit	**(280,720,184)**	**118,659,281**

	Year ended 31 December 2013	Year ended 31 December 2012
Tax income / (expense) recognised directly in equity:		
On equity investments carried at fair value	16,887,972	12,832,841

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 Group 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 31 December 2013, the Group did not recognise deferred tax in respect of equity investments which did not meet the criteria described above. The Group 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.

11. Cash and current accounts

	31 December 2013	31 December 2012
Petty cash	186	2,391
Current accounts with banks	5,552,291	1,855,237
	5,552,477	**1,857,628**

The current accounts held with banks are not pledged as collateral for liabilities.

12. Deposits with banks

	31 December 2013	31 December 2012
Bank deposits with original maturities of less than three months	232,021,138	316,028,343
Interest accrued on bank deposits	88,875	1,281,109
	232,110,013	**317,309,452**

None of the deposits held with banks is pledged as collateral for liabilities.

13. Treasury bills and government bonds

In 2013 and 2012, the Group acquired discounted treasury bills denominated in RON, having yields to maturity between 2.72% – 6.25% per year.

	31 December 2013	31 December 2012
Treasury bills with original maturities of less than three months	76,368,245	100,354,399
Treasury bills with original maturities of more than three months and less than one year	53,519,130	354,378,458
	129,887,375	**454,732,857**

Also, in 2013, the Group acquired government bonds with coupon, denominated in RON. The government bonds in balance as at 31 December 2013 amounted RON 83,748,146 (31 December 2012: nil), have original maturities of more than three months and less than one year and coupon rate of 5.95% per year.

14. Dividends receivables

	31 December 2013	31 December 2012
Dividends receivable		
CN Administratia Porturilor Dunarii Fluviale SA	173,250	-
Hidroelectrica SA	-	46,209,651
Other dividends receivable	655,718	1,446,159
	828,968	**47,655,810**
Impairment loss allowance		
CN Administratia Porturilor Dunarii Fluviale SA	(173,250)	-
Hidroelectrica SA	-	(46,209,651)
Other dividends receivable	(655,718)	(646,165)
	(828,968)	**(46,855,816)**
	-	**799,994**

In 2013, the Group reversed the impairment adjustments related to dividends receivables collected during the year, the most significant one being that due by Hidroelectrica of RON 46,209,651, which was fully collected during 2013, according to the payment schedule agreed between Hidroelectrica SA and Fondul Proprietatea SA.

15. Receivables in respect of equity contributions

As at 31 December 2013 and 31 December 2012, the balance of receivables in respect of equity contributions was fully impaired. These receivables refer to unpaid contributions to Fund's share capital from the Ministry of Public Finance.

16. Equity investments

In accordance with Law 247/2005, as amended by Government Emergency Ordinance no.209/2005, the Fund received, at its establishment on 28 December 2005, shares in 117 companies as contribution in kind from the Romanian State, as sole shareholder.

In June 2007, Government Emergency Ordinance no. 81/2007 for the acceleration of the procedure for granting compensations for the property abusively nationalised ("GEO 81/2007") came into force, in accordance with which:

- 32 new shareholdings were added to the Fund's portfolio as contribution in kind to its share capital (21 shareholdings in companies already in the portfolio and 11 shareholdings in companies not previously in the portfolio);
- 39 shareholdings were removed from the Fund's portfolio and transferred back to the Romanian state.

The valuation of the shares contributed by the Romanian state in December 2005 and June 2007 was performed in October 2007 by an independent evaluator (Finevex S.R.L. Constanta), who followed the valuation methodology set forth by Law 247/2005. The value of the shareholdings, as determined by the evaluator, represents the cost (initial value) of the equity investments.

Equity investments are available-for-sale financial assets and are carried at fair value, except for the investments whose fair value cannot be reliably measured, which are carried at cost less impairment.

16. Equity investments (continued)

As of 31 December 2013, the fair values of equity instruments that are traded in active markets were determined by reference to published bid price quotations on the stock exchange where shares are traded. For the unlisted equity instruments measured at fair value, the fair values were assessed by independent valuers, using valuation techniques in accordance with International Valuation Standards. Equity investments listed on the Bucharest Stock Exchange which are not actively traded, and unlisted securities for which a fair value was not available, are carried at cost less impairment.

As of 31 December 2012, the fair values were determined by reference to published bid price quotations on the stock exchange where shares are traded, where applicable, while the equity investments listed on the Bucharest Stock Exchange which are not actively traded, and all unlisted securities, were carried at cost less impairment.

At 31 December 2013 and 31 December 2012, for equity investments carried at cost, no fair values could be determined using valuation techniques as the range of the various estimates could not be reasonably assessed.

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

	Equity investments at fair value	Equity investments at cost	Total equity investments
31 December 2011	**1,465,038,314**	**5,963,176,400**	**7,428,214,714**
Shares contributions in kind by State	-	5,211,070	**5,211,070**
Subscriptions to share capital increase of portfolio companies	-	2,539,840	**2,539,840**
Acquisitions	62,217	-	**62,217**
Disposals	(190,099,153)	(157,551)	**(190,256,704)**
Impairment loss	-	(772,364,379)	**(772,364,379)**
Changes in fair value	(80,205,252)	-	**(80,205,252)**
31 December 2012	**1,194,796,126**	**5,198,405,380**	**6,393,201,506**

	Equity investments at fair value	Equity investments at cost	Total equity investments
31 December 2012	**1,194,796,126**	**5,198,405,380**	**6,393,201,506**
Shares contributions in kind by State	357,420	-	**357,420**
Cash contributions to portfolio companies share capital increases	42,713,841	-	**42,713,841**
Disposals	(409,274,440)	(1,746,237)	**(411,020,677)**
Reclassification of equity investments following their listing on BSE	998,147,455	(998,147,455)	**-**
Reclassification of unlisted equity investments following their valuation at fair value	3,923,150,862	(3,923,150,862)	**-**
Impairment loss	(835,772,382)	-	**(835,772,382)**
Changes in fair value	4,064,137,457	-	**4,064,137,457**
31 December 2013	**8,978,256,339**	**275,360,826**	**9,253,617,165**

16. Equity investments (continued)

In 2013, the Fund received 35,742 shares in Romgaz SA (with a nominal value of RON 357,420) following a share capital increase by that company, accounted for as contribution in kind of Romanian State, represented by Ministry of Public Finance, to the share capital of the Fund.

During 2013, the Fund participated in the cash share capital increases of portfolio companies, through:

- executing its pre-emptive right and participating in the cash share capital increase of E.ON Gaz Distributie SA, acquiring 399,164 shares at the nominal value of RON 2.5 per share (in total of RON 997,910);
- subscribing 1,111,575 new shares, in the cash share capital increase of Zirom SA, at the nominal value of RON 10 per share (in total of RON 11,115,750);
- executing its pre-emptive right and participating in the share capital increase of Nuclearelectrica SA, receiving 2,732,159 allotment rights (converted into shares at the listing of the shares of Nuclearelectrica on Bucharest Stock Exchange), acquired at the acquisition price in the Initial Public Offering carried on by this company, of RON 11.2 per share (in total of RON 30,600,181);

During 2013, the Fund finalised the disposal of its holding in Commetex SA and sold its entire holdings in Carom - Broker de Asigurare SA, Mecanoenergetica SA, Ciocarlia SA, Telerom Proiect SA, Celuloza si Otel SA, Transgaz SA and part of the holding in Raiffeisen Bank International AG. Following the listing of Nuclearelectrica SA and Romgaz SA on Bucharest Stock Exchange, the investments in these companies were reclassified from the category “Equity investments at cost” into the category “Equity investments at fair value”. As at 31 December 2013, the fair values of these equity instruments were assessed on the bid price quotations on the stock exchange.

As at 31 December 2013, the Group reclassified part of its unlisted equity investments previously measured at cost into the category “Equity instruments measured at fair value”, because at that date, fair values were assessed by independent valuers, using valuation methods in accordance with International Valuation Standards.

Hidroelectrica’s Insolvency

On 26 June 2013, the Bucharest Court has approved the closing of the judicial reorganisation procedure opened against Hidroelectrica in June 2012.

The litigation which triggered the Bucharest Court of Appeal decision on 25 February 2014 (please see Note 24) by which Hidroelectrica was placed back under reorganisation procedure, was in progress as at 31 December 2013. This indicates that these conditions existed before the end of Group’s reporting period and meet the requirements of an adjusting event after the end of the reporting period. As a result, the Group updated the valuation of its holding in Hidroelectrica on 11 March 2014 that was reflected in the financial statements for the year ended 31 December 2013. The new valuation report was prepared by an independent valuer and indicated a value for the Group’s holding in Hidroelectrica of RON 2,105,161 thousand, which is RON 134,251 thousand lower than the valuation previously available, before the Court decision. The decrease in the valuation was mainly due to the new legal situation of Hidroelectrica, which has resulted in a higher discount being applied for the lack of marketability, 25% versus 10% used in the original valuation report prepared prior to 31 December 2013.

Impairment losses

In 2013, the Fund recorded impairment adjustments in amount of RON 835,772,382 (2012: RON 772,364,379) for the equity investments presented below, based on either fair values assessed by independent valuers or by reference to published prices quotations on the stock exchange (for listed holdings). All impairment losses are recognised through profit or loss. During 2013, an amount of RON 158,703,880 has been reclassified from other comprehensive income to profit or loss, due to the prolonged declined in the respective equity investments values.

16. Equity investments (continued)

The equity investments for which the Fund recorded impairment adjustments were:

Company	Year ended 31 December 2013	Year ended 31 December 2012
Complexul Energetic Oltenia SA	348,440,812	-
Nuclearelectrica SA	305,472,325	-
BRD - Groupe Societe Generale SA	97,670,533	-
Raiffeisen Bank International AG	43,870,195	-
Posta Romana SA	20,032,000	3,842,380
Erste Group Bank AG	17,163,151	-
Forsev SA	3,123,366	-
Hidroelectrica SA	-	768,521,999
Total	**835,772,382**	**772,364,379**

The structure of the Fund's portfolio was the following:

	31 December 2013	31 December 2012
Equity investments at fair value		
Hidroelectrica S.A.*	2,105,161,000	-
Romgaz S.A.*	1,975,701,973	-
Enel Distributie Banat S.A.*	573,250,000	-
Enel Distributie Muntenia S.A. *	473,070,000	-
GDF Suez Energy Romania *	404,410,000	-
Enel Distributie Dobrogea S.A. *	379,110,000	-
E.ON Moldova Distributie S.A. *	345,359,000	-
Complexul Energetic Oltenia S.A.*	321,644,000	-
Nuclearelectrica S.A.*	306,699,784	-
Electrica Distributie Muntenia Nord S.A.*	296,200,000	-
CN Aeroporturi Bucuresti S.A.*	287,654,000	-
BRD - Groupe Societe Generale S.A.	228,487,104	205,892,268
Electrica Distributie Transilvania Nord S.A. *	206,700,000	-
Electrica Distributie Transilvania Sud S.A. *	192,000,000	-
E.ON Gaz Distributie S.A. *	165,200,000	-
Transelectrica S.A.	156,245,398	125,570,240
Conpet S.A.	115,715,745	92,958,315
Banca Transilvania S.A.	106,793,312	70,895,864
Alro Slatina S.A.	105,464,182	145,769,428
Raiffeisen Bank International AG	77,793,309	118,905,477
Posta Romana S.A. *	60,790,000	-
Zirom S.A. *	43,464,000	-
Forsev S.A. *	657,000	-
Transgaz S.A.	-	384,687,160
Other	50,686,536	50,117,374
	8,978,256,343	**1,194,796,127**

**equity investments reclassified from "Equity investments at cost" in "Equity investments at fair value"*

16. Equity investments (continued)

Equity investments at cost		
Societatea Nationala a Sarii S.A.	76,049,556	76,049,556
CN Administratia Porturilor Maritime S.A.	52,621,414	52,621,414
E.ON Energie Romania S.A .	45,765,358	45,765,358
Primcom S.A.	25,347,293	25,347,293
Hidroelectrica S.A.*	-	2,001,000,000
Complexul Energetic Oltenia S.A.*	-	670,084,812
Electrica Distributie Muntenia Nord S.A.*	-	165,223,950
Enel Distributie Banat S.A.*	-	141,578,929
CN Aeroporturi Bucuresti S.A.*	-	131,168,262
E.ON Moldova Distributie S.A. *	-	131,073,011
Electrica Distributie Transilvania Sud S.A. *	-	125,918,628
Electrica Distributie Transilvania Nord S.A. *	-	115,755,059
Enel Distributie Dobrogea S.A. *	-	114,760,052
Enel Distributie Muntenia S.A. *	-	107,277,263
Posta Romana S.A. *	-	80,822,000
Romgaz S.A.*	-	416,301,444
Nuclearelectrica S.A.*	-	581,846,011
Other	75,577,201	215,812,337
	275,360,822	**5,198,405,379**
Total equity investments	**9,253,617,165**	**6,393,201,506**

**equity investments reclassified from "Equity investments at cost" in "Equity investments at fair value"*

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

Fair value hierarchy

The table below analyses equity investments carried at fair value, by valuation method.

The Group 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).

16. Equity investments (continued)

At 31 December 2013:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	3,123,587,339	-	5,854,669,000	8,978,256,339
Treasury bills	129,887,375	-	-	129,887,375
Government bonds	83,748,146	-	-	83,748,146
	3,337,222,860	**-**	**5,854,669,000**	**9,191,891,860**

At 31 December 2012:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	1,194,796,126	-	-	1,194,796,126
Treasury bills	454,732,857	-	-	454,732,857
	1,649,528,983	**-**	**-**	**1,649,528,983**

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.

For all Level 3, the equity instruments valuation was performed by an independent valuer, based on financial information provided by the Fund using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs, under the supervision and review of the Fund’s Management, who ensures that all underlying data used in the report is accurate, and appropriate inputs are used in the valuation. As the valuation reports were prepared as at 30 September 2013, with a base of financial information available and used from the companies under valuation as at the respective date, the Fund’s Management have analysed, based on the available information, the period between the date of the valuation reports and 31 December 2013. There was no information known or available to the Fund’s Management which may have impact on the fair values of the equity investments as at 31 December 2013, as they are presented in these consolidated financial statements.

16. 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.

As at 31 December 2013, the equity investments classified as available for sale included equity investments valued at cost less impairment in amount of RON 275,360,822 (31 December 2012: RON 5,198,405,380).

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.

As at 31 December 2013, unlisted equity investments with a carrying amount of RON 5,854,669,000 were classified into Level 3 of the fair value hierarchy. Out of this balance, an amount of RON 2,291,000,656 represents the net change in fair value recognised in other comprehensive income. The fair values for these equity investments were assessed by independent valuers, using valuation methods in accordance with International Valuation Standards. Previously, these equity investments were measured at cost due to lack of availability of reliable fair values.

The following table sets out information about significant unobservable inputs used at 31 December 2013 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Financial assets	Fair value at 31 December 2013	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Total	**5,854,669,000**			
Unlisted equity instruments	5,749,758,000	Market approach - comparable companies (based on EBITDA multiples)	EBITDA multiple ranging from 5.52 to 9.18	The higher EBITDA multiple, the higher the fair value.
			Discount for lack of marketability: 10% or 25%	The lower discount for lack of marketability, the higher the fair value.

16. Equity investments (continued)

Financial assets	Fair value at 31 December 2013	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity instruments	104,911,000	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 13% to 15%.	The lower the weighted average cost of capital, the higher the fair value.
			Discount for lack of marketability: 0% or 5% or 10%	The lower discount for lack of marketability, the higher the fair value.
			Discount for lack of control: 0% or 20%	The lower discount for lack of control, the higher the fair value.
			Long-term revenue growth rate ranging from 2% to 2.5%	The higher the revenue growth rate, the higher the fair value.

Significant unobservable inputs are the following:

EBITDA multiple: represents the most relevant multiple used when pricing the investments and is selected from comparable public companies based on geographic location, industry size, target markets and other factors that valuers considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its EBITDA and further discounted for considerations such as the lack of marketability and other differences between the comparable peer group and specific company.

Discount for lack of marketability: represents the discount applied to the comparable market multiples to reflect the illiquidity of the portfolio companies relative to the comparable peer group. Valuers determined the discount for lack of marketability based on its judgement after considering market liquidity conditions and company-specific factors.

Discount for lack of control: represents the discount applied to reflect the absence of the control power and it was considered under the discounted cash flow method, in order to derive the value of a minority shareholding in the equity of the subject companies.

Weighted average cost of capital: represents the calculation of a company's cost of capital in nominal terms (including inflation), based on the "Capital Asset Pricing Model". All capital sources – shares, bonds and any other long-term debts - are included in a weighted average cost of capital calculation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

17. Investment in associate

In accordance with G.E.O. 81/2007, the Fund received from the Romanian State shareholdings granting significant influence over OMV Petrom SA. The summary of the financial information for this associate is as follows:

	2013	**2012**
Ownership	18.99%	20.11%
Total assets	40,046,870,000	38,144,620,000
Total liabilities	13,405,190,000	14,739,280,000
Revenues	24,378,520,000	26,374,700,000
Expenses	19,554,480,000	22,428,600,000
Profit	4,824,040,000	3,946,100,000

In 2013, the Group's share of profit in its associate for the year was RON 916,085,196 (2012: RON 793,560,710) and its share of income and expense recognised directly in the equity of the associate was net expense of RON 309,537 (2012: net income of RON 26,157,077). At 31 December 2013, investments in associates represented RON 5,059,270,088 (31 December 2012: 4,706,829,818).

In May 2013, the Fund disposed of 632,482,000 shares in OMV Petrom SA, accounting for approximately 1.1% of the company's share capital.

The movements in the investment in associate are presented in the below table:

31 December 2012	**4.706.829.818**
Share of net profit in associates	916.085.196
Share of dividends declared by associate	(318.951.645)
Impact of partial disposal	(244.377.102)
Share of income and expense recognised directly in the equity of associates (net of income tax)	(316.179)
31 December 2013	**5.059.270.088**

The fair value of the shares held in OMV Petrom S.A. was RON 5,054,412,918 as at 31 December 2013 (31 December 2012: RON 4,876,542,833).

18. Deferred tax assets and liabilities

	31 December 2013	**31 December 2012**
Temporary differences deductible (taxable)		
Impairment losses on equity investments	-	1,585,558,809
Changes in fair values of equity investments	-	(154,679,643)
Fiscal loss carried forward	2,138,680	3,264,075
	2,138,680	**1,434,143,241**
Deferred tax asset at 16%	**342,189**	**229,462,919**

The effective tax rate used to calculate the deferred tax position of the Group as at 31 December 2013 and as at 31 December 2012 was 16% (standard tax rate).

18. Deferred tax assets and liabilities (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 Group 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 31 December 2013, the Group did not recognise deferred tax in respect of equity investments which did not meet the criteria described above. The Group 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.

19. Other liabilities

	31 December 2013	31 December 2012
Investment Management and Administration fees	13,471,953	8,862,463
Dividends payable	11,250,020	9,481,720
Provision for litigations	11,104,066	-
Financial Supervisory Authority commission	1,262,977	1,230,482
Tax on dividends	1,423,830	-
Other liabilities	3,755,390	1,489,514
	42,268,236	**21,064,179**

In April 2013, the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.04089 per share, equivalent to a total gross dividend of RON 536,437,206, payable to shareholders with effect from 28 June 2013, which represented the distributable profits of 2012. As at 31 December 2013, shareholders had collected 99% of this dividend.

In April 2012, the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03854 per share, equivalent to a total gross dividend of RON 507,658,517, payable to shareholders with effect from 29 June 2012, which represented the distributable profits of 2011. As at 31 December 2013, shareholders had collected 99% of this dividend.

The provision for litigations was recorded in relation with the legal case started by World Trade Center against the Fund in August 2013, asking the Fund to pay back the amounts recovered from the enforcement procedure against this company during 2010 and 2011 and the related legal interest (please see details in Note 21 Contingencies).

The amounts recovered from the enforcement procedure (approximately RON 9.5 million equivalent) were originally accounted for by the Fund as contributions of Ministry of Public Finance to the share capital of the Fund, decreasing the receivable related to unpaid capital. Consequently, these amounts are to be recovered by the Fund from the Ministry of Public Finance (being accounted as a receivable over this shareholder of the Fund, for which an impairment ajustment has been recoreded), while the legal interest was recorded as an expense with provisions for litigations.

20. Shareholders' equity

(a) Share capital

As of 31 December 2013, the authorised and issued share capital comprised 13,778,392,208 ordinary shares at a nominal value of RON 1 per share out of which 365,254,622 shares were unpaid.

Unpaid share capital represents the net value of certain contributions due from the Romanian state, represented by the Ministry of Public Finance. During 2013, RON 357,420 (representing the nominal value of 35,742 shares in Romgaz SA received by the Fund as contribution in kind from Romanian state) were transferred from unpaid share capital to the paid in share capital.

Holders of unpaid shares are not entitled to vote or to receive dividends.

At 31 December 2012, the authorised and issued share capital comprised 13,778,392,208 ordinary shares at a nominal value of RON 1 per share, out of which 365,612,042 shares were unpaid.

By 31 December 2013, the State's share in the Fund's issued capital was 2.67% (31 December 2012: 2.68%) out of which only 0.024% was paid.

The movements in share capital components are presented below:

	Share capital paid in	Share capital unpaid	Total share capital
31 December 2011	**13,407,569,096**	**370,823,112**	**13,778,392,208**
Unpaid share capital compensated by State contributions	5,211,070	(5,211,070)	-
31 December 2012	**13,412,780,166**	**365,612,042**	**13,778,392,208**
Shares contributed in kind by the State	357,420	(357,420)	-
31 December 2013	**13,413,137,586**	**365,254,622**	**13,778,392,208**

(b) Fair value reserves on available-for-sale financial assets

The fair value reserves of RON 4,042,784,000 at 31 December 2013 (31 December 2012: RON 129,930,898) comprised the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

(c) Other reserves

	31 December 2013	31 December 2012
Legal reserve	192,259,194	158,151,474
Other reserves	120,299,557	120,299,557
	312,558,751	**278,451,031**

19. Shareholders' equity (continued)

(c) Other reserves (continued)

As required by the Romanian law, a minimum 5% of the statutory profit for the year must be transferred to the legal reserve. Such annual transfers must be discontinued when the reserve equals 20% of the issued share capital. The legal reserve cannot be used for distributions to shareholders.

The statutory financial statements have been prepared in accordance with the National Securities Commission ("CNVM") Regulation no. 4/2011 regarding accounting regulations compliant with Economic European Commission Directive IV, applicable to the entities authorised, regulated and monitored by Financial Supervision Authority ("FSA"), approved by CNVM Order no. 13/2011.

In 2013, the Fund transferred to the legal reserves an amount of RON 34,107,720 representing 5% of the 2013 statutory gross profit of RON 682,154,399 (in 2012: RON 28,348,272 representing 5% of the 2012 statutory gross profit of RON 566,988,651).

(d) Treasury shares

The Fund's General Shareholders Meeting in September 2010 approved a buyback programme 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. At the General Shareholders Meeting on April 2012, the shareholders approved to cancel the treasury shares and to reduce the share capital, but the registration of the shareholders' decision with Trade Register was blocked at the request of one shareholder of the Fund.

In the litigation started by this shareholder, the Court irrevocably ruled in favour of the Fund, the shareholders' resolution being registered with Trade Register and published in the Official Gazette on 31 July 2013. The legislation requires that after two months the resolution is published in the Official Gazette, the Fund Manager has to ask the Financial Supervisory Authority to approve the share capital decrease. Thus, the share capital decrease is effective after the obtaining of the Financial Supervisory Authority approval.

The same shareholders meeting in April 2012 approved a second buyback programme: subject to cash availability, the Fund Manager was authorised to repurchase a maximum number of 1.1 billion shares within 18 months of the date when the shareholders' resolution is published in the Official Gazette, at prices ranging between 0.2 - 1.5 RON per share, following to cancel them upon the completion of the buyback programme. The second buy-back programme was delayed because of the case opened by a minority shareholder and it started on 12 April 2013. 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. None of the shares had been cancelled by 31 December 2013. The Fund Manager will submit to shareholders' approval the share capital decrease by cancelling the shares purchased during the second buy-back programme after the share capital decrease for capital distribution approved by shareholders on 3 February 2014 is effective.

On 22 November 2013, the shareholders approved a third buy-back programme: the Fund Manager was authorised to repurchase a maximum number of 252,858,056 shares or 1.89% of the paid in 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 buy-back programme.

The third buy-back programme starts after the first share capital decrease for cancelling the shares purchased during the first buy-back programme is effective.

20. Shareholders' equity (continued)

(e) Dividends

During 2013, the Fund distributed dividends, related to statutory earnings 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).

Being an entity regulated by FSA (former CNVM) and governed by Capital Market Law, the Fund also has the obligation to calculate and publish monthly, including for the year-end, its net asset value according to the requirements included in the Regulation no.4/2010, as subsequently amended, issued by CNVM (referred hereinafter "NAV"). The capital market law states that "the publication and the use of other measures or calculations for the value of the total net assets, the unitary value of the net assets and the number of holders of participation titles, except for those certified by the depositary shall be forbidden." On this basis, "net assets" is defined as the net assets certified by the depositary of the Fund.

CNVM Regulation no.4/2011, with subsequent amendments (Romanian accounting regulations) and CNVM Regulation no.4/2010, prescribe two different calculation rules for the net assets of the Fund, one value is presented in the annual financial statements prepared in accordance with Romanian accounting regulations (presented as Total shareholders' equity) and another value is presented in the year-end (31 December) NAV reporting submitted to CNVM/FSA (presented as Net Asset Value). There are significant differences in respect of the two calculation methods, the most significant being related to the measurement of equity investments, which in the financial statements prepared in accordance with Romanian accounting regulations are measured at cost less any adjustments for impairment, recorded directly through equity, not through Income statement (shareholders' equity as at 31 December 2013: RON 10,885,061,292), while in the NAV reporting they are measured at their fair value (NAV as at 31 December 2013: RON 15,013,742,081.74).

Since its registration with CNVM on 18 August 2010, the Fund has adopted the net asset value computed in accordance with CNVM Regulation 4/2010 as the most relevant basis to determine the fair market value of the net assets for assessing whether dividends are distributable, as per article 69 of the Companies law provisions. During 2012 the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03854 per share, in relation to 2011 statutory profits.

During 2013 and until the date of approval of these financial statements the Fund's management was in the process of obtaining clarifications from the relevant Romanian authorities (being the Ministry of Public Finance, the Ministry of Justice and the FSA) on the interpretation of the provisions of contrasting regulations regarding the distribution of dividends and other reserves of the Fund. Depending on the final clarifications, any change in interpretations from the regulatory authorities increases the legal risks regarding dividend distribution and may require changes in the Fund's distribution policy in the future. It should also be noted that, in the near future (probably in 2015), IFRS will become the statutory set of financials and, when this occurs, the dividend policy and profit allocation practices will need to be reviewed in line with the applicable regulations and accounting standards in force at that time.

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.

21. Contingencies

As at 31 December 2013 the Group 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 Group discloses in the financial statements those which may have significant effects on the Group’s financial position or profitability. The most important litigations were as follows:

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

In one of these cases, on 10 October 2012 the Bucharest Court of Appeal rejected the appeal filed by the Fund and upheld the decision of the Bucharest Court to partly admit a claim to annul certain resolutions from the 6 September 2010 GSM relating to (inter alia) approval of a new Constitutive Act and the first appointment of FTIML as the administrator of the Fund.

This decision is irrevocable and it was implemented by Trade Register, without any changes in the Management of the Fund considering that:

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new versions were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM and the 23 November 2012 GSM;
- new resolutions passed during the 25 April 2012 GSM and 23 November 2012 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 Group included:

1. The Fund is due to receive the following amounts from the Romanian State:
   - 3% of the amounts collected in by the institutions involved in the privatisation process from each sale of shares held with Romtelecom SA, until the sale of the entire participation;
   - 20% of the amounts resulting from the privatization of Romtelecom SA;
   - 9.9% of the amounts resulting from the privatisation of C.E.C. SA.

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

21. Contingencies (continued)

2. The receivables from World Trade Center Bucharest SA:

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

Until 31 December 2013, 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 ajustment 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 18 July 2014.

Currently, World Trade Center Bucharest SA is the object of insolvency procedure, the next hearing being set for 25 June 2014.

22. Group entities

Subsidiaries

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

	31 December 2013	31 December 2012
Ownership interest		
Alcom S.A. Timisoara	72%	72%
Comsig S.A. Sighisoara	70%	70%
Primcom S.A. Bucuresti	75%	75%
Zirom S.A. Giurgiu	100%	100%
Carom - Broker de Asigurare S.A. Bucuresti*	-	70%
Telerom Proiect S.A. Bucuresti*	-	69%

** In 2013, Fondul sold its entire holding in Carom Broker de Asigurare S.A. and Telerom Proiect S.A. Bucuresti*

22. Group entities (continued)

The total assets, liabilities, revenues and expenses for subsidiaries are presented in the table below:

	Total assets	Total liabilities	Revenues	Expenses*	Net Profit / (Loss)
2013					
Alcom S.A. Timisoara	10.837.012	1.524.572	2.398.985	2.477.661	(217.883)
Comsig S.A. Sighisoara	2.218.246	18.820	138.018	263.515	(129.408)
Primcom S.A. Bucuresti	39.394.131	2.378.998	3.599.508	3.785.982	(186.474)
Zirom S.A. Giurgiu	76.496.861	13.058.968	30.346.391	29.888.772	457.619
	128.946.250	**16.981.358**	**36.482.902**	**36.415.930**	**(76.146)**

* *Excluding tax on profit expenses*

	Total assets	Total liabilities	Revenues	Expenses*	Net Profit / (Loss)
2012					
Alcom S.A. Timisoara	11,741,803	2,177,553	3,150,278	2,862,859	87,890
Carom - Broker de Asigurare S.A. Bucuresti	1,441,024	46,040	1,009,211	1,129,341	(120,130)
Comsig S.A. Sighisoara	2,336,349	7,515	138,513	303,450	(167,345)
Primcom S.A. Bucuresti	39,556,411	2,215,605	1,755,749	4,899,717	(3,143,968)
Telerom Proiect S.A. Bucuresti	367,613	544,005	1,010,254	1,264,779	(254,525)
Zirom S.A. Giurgiu	55,666,876	3,806,073	10,391,904	15,347,505	(4,955,601)
	111,110,076	**8,796,791**	**17,455,909**	**25,807,651**	**(8,553,679)**

* *Excluding tax on profit expenses*

23. Related parties

Key management

	Year ended 31 December 2013	Year ended 31 December 2012
Salaries		
Members of the Board of Nominees	779,052	523,507

There were no loans to or other transactions between the Fund and the members of the Board of Nominees in 2013 or in 2012.

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 as follows:

23. Related parties (continued)

Transactions	Year ended 31 December 2013	Year ended 31 December 2012
Investment management fee	35,821,686	27,159,099
Administration fee	9,451,632	7,165,989
Rental expense	104,237	105,276
Operating cost	28,894	28,188
	45,406,449	**34,458,552**

During 2013 the Fund recorded also an amount of RON 1,754,236 representing expenses incurred by the Fund Manager on its behalf (2012: RON 1,012,597). The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominees approval.

As at 31 December 2013, the Fund owed an amount of RON 14,019,201 to the Fund Manager (31 December 2012: RON 9,146,226).

There are no other elements of compensation for key management.

24. Subsequent events

3 February GSM Decisions

On 3 February 2014 the shareholders of the Fund approved three important items, as follows:

1. An amendment of the Constitutive Act of Fondul Proprietatea, in order to eliminate the quorum restrictions that were additional to Romanian legislation for the share capital decrease. The amendment of the Constitutive Act enters into force after the endorsement of Financial Supervisory Authority and after the publication in Official Gazette.

2. The decrease of the subscribed share capital of Fondul Proprietatea for capital distribution, involving the decrease of the subscribed share capital of Fondul Proprietatea from RON 13,538,087,407 to RON 12,861,183,036.65 through the reduction of the nominal value of the shares of Fondul Proprietatea from RON 1.00 to RON 0.95. The decrease of the share capital will be effective, in accordance with Article 208 para. (1) of Law no. 31/1990, after the expiry of a two months term starting with the publication of the general meeting of shareholders resolution in the Official Gazette of Romania, Part IV, provided that Financial Supervisory Authority shall have endorsed the amendment of Article 7 para. (1) of the Constitutive Act of Fondul Proprietatea as approved by shareholders during the meeting.

The shareholders registered with Central Depositary 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 shall start in 30 days after the decrease of the share capital mentioned above is effective.

3. The ratification and approval of all resolutions taken by the general shareholders meetings and all the 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 2 February 2014 and the approval and ratification of any implementation acts, facts and operations based on such, including the management of the Fondul Proprietatea under an unitary system.

24. Subsequent events (continued)

28 April GSM Decisions

The main decisions of the shareholders during the 28 April 2014 Annual General Meeting of Shareholders were the following:

- The approval of the secondary listing of Fondul Proprietatea on the London Stock Exchange;
- The approval of the decrease of the subscribed share capital of Fondul Proprietatea from RON 12,861,183,036.65 to RON 11,815,279,886.85, pursuant to the cancellation of 1,100,950,684 treasury shares acquired in the second buy-back programme;
- The approval of the amendment of the Investment Policy Statement;
- The approval of the fourth buy-back programme, for a maximum number of (i) 990,855,616 shares or (ii) 10% of the issued share capital at the relevant time, whichever is the lesser, starting with the date when the buy-back programme approved through the Extraordinary GSM Resolution no. 15/22 November 2013 is completed;
- The approval of the new Investment Management Agreement between FTIML UK Bucharest Branch and Fondul Proprietatea;
- The approval of the renewal / extension of the current mandate of FTIML UK Bucharest Branch as Sole Administrator and Fund Manager of Fondul Proprietatea for a duration of 2 years starting with 30 September 2014;
- The approval of the Annual Activity Report of the Sole Administrator of Fondul Proprietatea for the financial year 2013;
- The approval of the net profit allocation for the financial year 2013.
- The approval of an amended to the 2014 budget of Fondul Proprietatea.

Review of strategic options for Fund's holding in OMV Petrom S.A.

As part of its ongoing commitment to increase value for shareholders and improve the liquidity of the assets in the Fund's portfolio, the Fund is reviewing strategic options to potentially reduce its ownership interest in OMV Petrom SA to below a 15% holding, subject to appropriate market conditions and required approvals. The review is in its early stages and there is no defined timetable for any decision. The Fund currently holds 19% of the issued share capital of OMV Petrom SA and aims to enhance the trading liquidity of the company's shares while remaining committed to its successful development.

Update regarding Hidroelectrica

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

- Cancelled the initial decision of Bucharest Court from 26 June 2013 whereby the judicial reorganisation procedure of Hidroelectrica was closed for procedural reasons. As a result, the case will be sent back to the syndic judge for a retrial. As a consequence, the company is placed back under the reorganisation procedure and the former judicial administrator is reinstated with an immediate effect.

24. Subsequent events (continued)

- Cancelled and sent back to the syndic judge for retrial two other cases, the first one filed by Hidroelectrica against a decision through which the syndic judge admitted the claim of Termoelectrica and the second one filed by Elsid Titu against a decision of the syndic judge through which he did not admit a claim worth around RON 13 million following the application of the force majeure clause in 2011.

The litigation which triggered the Bucharest Court of Appeal decision on 25 February 2014 by which Hidroelectrica was placed back under reorganisation procedure, was in progress as at 31 December 2013. This indicates that these conditions existed before the end of Fund's reporting period and meet the requirements of an adjusting event after the end of the reporting period. As a result, the Fund updated the valuation of its holding in Hidroelectrica on 11 March 2014, that was reflected in the financial statements for the year ended 31 December 2013 (please see Note 16). The new valuation report was prepared by an independent valuer and indicated a value for the Fund's holding in Hidroelectrica of RON 2,105,161 thousand, which is RON 134,251 thousand lower than the valuation previously available, before the Court decision. The decrease in the valuation was mainly due to the new legal situation of Hidroelectrica, which has resulted in a higher discount being applied for the lack of marketability, 25% versus 10% used in the original valuation report prepared prior to 31 December 2013).

Share capital decrease

According with the FSA Endorsement no.1/21 February 2014, the FSA endorsed the decrease of the subscribed share capital of the Fund, from RON 13,778,392,208 to RON 13,538,087,407, following the cancellation of 240,304,801 treasury shares acquired by the Fund during the first buy-back programme in 2011. The share capital decrease is effective beginning with 24 February 2014. Therefore, starting with 24 February 2014, the new value of the Fund's subscribed share capital is RON 13,538,087,407 and the value of the paid-up share capital is RON 13,172,832,785.

On 25 June 2014, according to the Endorsement no. 75/ 25 June 2014, the FSA endorsed the decrease of Fund's subscribed share capital from RON 13,538,087,407 to RON 12,861,183,036.65 and distribution to the shareholders of the reduction in value in amount of RON 0.05 per share (as approved by Fund's shareholders in the General Shareholders Meeting on 3 February 2014). The shareholders registered with Central Depositary 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.

Accelerated bookbuild offering of up to 19,243,000 existing shares in Romgaz S.A.

On 16 June 2014 the Fund announces the launch of an accelerated bookbuild offering of up to 19,243,000 existing shares in Romgaz, completed on 17 and 18 June. Goldman Sachs International acted as the sole bookrunner for this transaction and Erste Group Bank AG acted as joint lead manager.

< GAIN FROM OUR PERSPECTIVE >

FRANKLIN TEMPLETON INVESTMENTS

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

Annex 3

FONDUL PROPRIETATEA S.A.

SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2013

Prepared in accordance with International Financial Reporting Standards

Contents

Deloitte.

Deloitte Audit SRL
Şos. Nicolae Titulescu nr. 4-8
Intrarea de est,
etajul 2-zona Deloitte şi etajul 3
Sector 1, 011141, Bucureşti,
România

Tel.: +40 21 222 16 61
Fax: +40 21 222 16 60
www.deloitte.ro

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

INDEPENDENT AUDITOR'S REPORT

Report on the Separate Financial Statements

1. We have audited the accompanying separate financial statements of S.C. Fondul Proprietatea S.A. (the "Fund") which comprise the separate statement of financial position as of December 31, 2013, and the separate statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

2 Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3 Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurances about the separate financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the separate financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

This is a free translation from the original Romanian binding version

Deloitte.

Opinion

6 In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of S.C. Fondul Proprietatea S.A. as at December 31, 2013, and its separate financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

7 We draw attention to Notes 19 (e) and 20 to the separate financial statements. As at December 31, 2013 the Fund has several unsettled litigations which are at different stages with the Romanian courts. Also, the Fund is in process of addressing certain regulatory matters with the relevant Romanian authorities. Some of the legal requirements relevant to the Fund and their implementation into practice may contradict and are subject to different legal interpretations by various regulatory authorities in Romania and therefore any change in interpretation increases legal risks for the Fund. The ultimate outcome and related impact of these legal and regulatory risks on the financial statements is uncertain. The separate financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified in respect of these matters.

8 We draw attention to Note 2 (a) to the separate financial statements which states that consolidated financial statements of the Fund prepared in accordance with International Financial Reporting Standards, as adopted by European Union have not yet been published. Notes 2 (a) to the separate financial statements explain when consolidated financial statements will be published and the method of accounting and other disclosures related to unconsolidated subsidiaries respectively. Our opinion is not modified in respect of this matter.

Other Matters

9. This report is made solely to the Fund's Sole Director, Board of Nominee and shareholders, as a body. Our audit work has been undertaken so that we might state to the Fund's Sole Director, Board of Nominee and shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Sole Director and shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

For signature, please refer to the original Romanian binding version.

Deloitte Audit S.R.L.
Bucharest, Romania
March 14, 2014

SEPARATE STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	Note	**Year ended 31 December 2013**	**Year ended 31 December 2012**
Gross dividend income	*6*	652,380,173	623,658,450
Gains on disposal of equity investments	*7*	247,822,287	17,878,048
Interest income	*8*	36,143,817	34,922,880
Reversal of impairment losses/ (impairment losses) on dividends receivable, net		46,907,126	(46,209,651)
Reversal of impairment losses/ (impairment losses) on receivables in respect of equity contributions, net		(9,038,221)	5,211,070
Impairment losses on equity investments	*16*	(835,772,382)	(772,364,379)
Impairment losses on other assets		(194,535)	(878,300)
Net foreign exchange gains / (losses)		34,102	(217,729)
Other operating income, net		3,130,519	3,949,848
Net operating income		**141,412,886**	**(134,049,763)**
Personnel expenses		(947,635)	(658,639)
Other operating expenses	*9*	(87,691,418)	(58,913,209)
Operating expenses		**(88,639,053)**	**(59,571,848)**
Profit / (Loss) before income tax		**52,773,833**	**(193,621,611)**
Income tax (expense)/ benefit	*10*	(890,110,425)	118,659,281
Loss of the year		**(837,336,592)**	**(74,962,330)**
Other comprehensive income			
Net change in fair value of available-for-sale equity investments	*16*	4,512,773,086	1,492,909,826
Deferred tax on other comprehensive income	*10*	467,247,696	(238,865,572)
Decrease in fair value reserve following the disposal of available-for-sale equity investments		(299,452,821)	-
Total other comprehensive income		**4,680,567,961**	**1,254,044,254**
Total comprehensive income for the period		**3,843,231,369**	**1,179,081,924**
Basic and diluted earnings per share		**(0.0608)**	**(0.0054)**

The separate financial statements were authorised for issue on 14 March 2014 by:

Grzegorz Maciej Konieczny
as Legal Representative on behalf of
Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch
acting in the capacity of Sole Director of Fondul Proprietatea S.A.

The notes on pages 128 to 169 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	Note	**31 December 2013**	**31 December 2012**
Assets			
Cash and current accounts	*11*	5,552,477	1,857,628
Deposits with banks	*12*	232,110,013	317,309,452
Treasury bills	*13*	129,887,375	454,732,857
Government bonds	*13*	83,748,146	-
Dividends receivable	*14*	-	799,994
Equity investments	*16*	14,308,030,083	11,269,744,338
Deferred tax assets	*17*	342,189	363,487,628
Other assets		3,624,221	2,189,053
Total assets		**14,763,294,504**	**12,410,120,950**
Liabilities			
Other liabilities	*18*	42,268,236	21,064,179
Total liabilities		**42,268,236**	**21,064,179**
Equity			
Share capital	*19*	13,778,392,208	13,778,392,208
Fair value reserve on available-for-sale financial assets	*19*	7,174,887,404	2,494,319,443
Other reserves	*19*	312,558,751	278,451,031
Treasury shares	*19*	(1,095,093,250)	(120,268,583)
Accumulated losses		(5,449,718,845)	(4,041,837,328)
Total equity		**14,721,026,268**	**12,389,056,771**
Total liabilities and equity		**14,763,294,504**	**12,410,120,950**

The notes on pages 128 to 169 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Treasury shares	Accumulated losses	Total attributable to the equity holders of the Fund
Balance at 31 December 2011	**13,778,392,208**	**1,240,275,189**	**250,102,759**	**(120,268,583)**	**(3,430,868,209)**	**11,717,633,364**
Comprehensive income for the period						
Loss for the year	-	-	-	-	(74,962,330)	**(74,962,330)**
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	1,492,909,826	-	-	-	**1,492,909,826**
Income tax on income and expense recognised directly in equity	-	(238,865,572)	-	-	-	**(238,865,572)**
Total other comprehensive income	**-**	**1,254,044,254**	**-**	**-**	**-**	**1,254,044,254**
Total comprehensive income for the period	**-**	**1,254,044,254**	**-**	**-**	**(74,962,330)**	**1,179,081,924**
Transactions with owners, recorded directly in equity						
Transfer to other reseves	-	-	28,348,272	-	(28,348,272)	-
Dividends declared	-	-	-	-	(507,658,517)	(507,658,517)
Total transactions with owners recorded directly in equity	**-**	**-**	**28,348,272**	**-**	**(536,006,789)**	**(507,658,517)**
Balance at 31 December 2012	**13,778,392,208**	**2,494,319,443**	**278,451,031**	**(120,268,583)**	**(4,041,837,328)**	**12,389,056,771**

The notes on pages 128 to 169 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Treasury shares	Accumulated losses	Total attributable to the equity holders of the Fund
Balance at 31 December 2012	**13,778,392,208**	**2,494,319,443**	**278,451,031**	**(120,268,583)**	**(4,041,837,328)**	**12,389,056,771**
Comprehensive income for the period						
Loss for the year	-	-	-	-	(837,336,592)	**(837,336,592)**
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	4,512,773,086	-	-	-	**4,512,773,086**
Decrease in fair value following the disposal of available-for-sale equity investments	-	(299,452,821)	-	-	-	**(299,452,821)**
Income tax on income and expense recognised directly in equity	-	467,247,696	-	-	-	**467,247,696**
Total other comprehensive income	**-**	**4,680,567,961**	**-**	**-**	**-**	**4,680,567,961**
Total comprehensive income for the period	**-**	**4,680,567,961**	**-**	**-**	**(837,336,592)**	**3,843,231,369**
Transactions with owners, recorded directly in equity						
Transfer to other reseves	-	-	34,107,720	-	(34,107,720)	-
Buybacks	-	-	-	(974,824,667)	-	(974,824,667)
Dividends declared	-	-	-	-	(536,437,205)	(536,437,205)
Total transactions with owners recorded directly in equity	**-**	**-**	**34,107,720**	**(974,824,667)**	**(570,544,925)**	**(1,511,261,872)**
Balance at 31 December 2013	**13,778,392,208**	**7,174,887,404**	**312,558,751**	**(1,095,093,250)**	**(5,449,718,845)**	**14,721,026,268**

The notes on pages 128 to 169 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	Year ended 31 December 2013	Year ended 31 December 2012
Cash flows from operating activities		
Proceeds from sale of equity instruments	570,774,069	207,870,803
Disposals and Maturity of treasury bills and bonds	1,283,136,960	282,590,748
Acquisitions of treasury bills and bonds	(1,037,189,824)	(537,215,621)
Interest received	33,209,977	30,329,419
Dividends received (net of withholding tax)	696,286,935	625,371,215
equivalents	3,330	(200,367)
Interest and penalities received in relation with the dividends late payments	1,439,583	1,756,213
Subscriptions to share capital increase of portfolio companies	(42,713,841)	(2,539,840)
Other receipts	-	158,362
Income tax paid	-	(121,794)
Salaries and related taxes paid	(968,578)	(686,412)
Suppliers and other taxes and fees paid	(78,792,523)	(76,280,760)
Acquisition of equity investments	-	(62,217)
Net cash flows from operating activities	**1,425,186,088**	**530,969,749**
Cash flows from financing activities		
Dividends paid (including related taxes)	(530,673,777)	(510,476,930)
Acquisition of treasury shares	(974,824,667)	-
Net cash flows used in financing activities	**(1,505,498,444)**	**(510,476,930)**
Net increase in cash and cash equivalents	**(80,312,356)**	**20,492,819**
Cash and cash equivalents at the beginning of the period	317,885,971	297,393,152
Cash and cash equivalents at the end of the period	**237,573,615**	**317,885,971**

	31 December 2013	31 December 2012
Cash	5,552,477	1,857,628
Bank deposits with original maturities of less than three months	232,021,138	316,028,343
	237,573,615	**317,885,971**

The notes on pages 128 to 169 are an integral part of these separate financial statements.

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, Buzeşti 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”.

2. Basis of preparation

(a) Statement of compliance

These financial statements are the annual separate financial statements of Fondul Proprietatea. The financial statements were prepared for the year ended 31 December 2013 in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by European Union (“EU”).

The purpose of the preparation of these separate financial statements in Romania is to comply with CNVM Instruction no. 6/2011, as subsequently amended. According to the article 2 of the CNVM Instruction no 6/2011, as subsequently amended, effective from 1 February 2012, the Fund has been required to prepare its separate IFRS financial statements. This regulation is transposing certain Articles of Regulation (EC) 1606/2002 of the European Parliament and of the Council from 19 July 2002 on the Application of International Financial Reporting Standards.

The Fund has prepared these financial statements in order to provide the users of the Fund’s financial reports with supplementary financial information on the Fund’s separate financial position. According to the requirements of the legislation in force, the Fund will prepare and publish by 30 June 2014, consolidated financial statements of the Group, for the year ended 31 December 2013. The users of financial statements should read these financial statements together with the consolidated financial statements of the Fondul Proprietatea Group, once these ones will be available, in order to have a complete information regarding the Group’s financial position, statement of comprehensive income, statement of changes in shareholder’s equity and statement of cash flows as a whole.

2. Basis of preparation (continued)

(b) Basis of measurement

The separate financial statements have been prepared on the historical cost basis except for the equity investments that are listed on an active market, the equity investments that are unlisted, but for which fair values reliably measured using valuation techniques were available, 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 4 – Financial risk management;
- Note 9 – Other operating expenses;
- Note 16 –Equity investments (for valuation);
- Note 17 – Deferred tax assets and liabilities;
- Note 18 – Other liabilities;
- Note 20 – Contingencies.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Fund reclassified in the Statement of comprehensive income for the year ended 31 December 2012, the income from the category reversal of impairment losses of equity investments into the category gain / loss on disposal of equity investments, in order to be consistent with current period presentation.

Change in accounting estimates

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement* "If a reliable measure becomes available for a financial asset or financial liability for which such a measure was previously not available, and the asset or liability is required to be measured at fair value if a reliable measure is available, then the asset or liability shall be remeasured at fair value".

3. Significant accounting policies (continued)

As at 31 December 2013, the Fund reclassified part of its unlisted equity investments previously measured at cost into the category equity instruments measured at fair value, because fair values were available for these holdings, at this date. The fair values for these equity instruments were assessed by independent valuers, using valuation methods in accordance with International Valuation Standards (fair value principles). The effect of this change in accounting estimates was reflected from the date when fair values for these equity investments were available (31 December 2013) and did not imply any restatement of comparative figures.

(a) Subsidiaries and associates

Subsidiaries are entities controlled by the Fund. Control exists when the Fund has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account, when applicable.

Associates are those entities in which the Fund has significant influence, but not control or joint control, over the financial and operating policies. The existence of significant influence is determined by analysing the ownership structure of the companies in which the Fund holds 20% or more of the voting power of the investee, their articles of incorporation and the Fund's power to participate in the financial and operating policy decisions of the investee. However in situations where the Fund holds less than 20% of the voting power of an investee, it is a significant shareholder and demonstrates that it has significant influence through Board representation and participates in the policy making decisions, this investee is treated as an associate.

The Fund does not exercise significant influence in a number of companies in which it holds between 20 and 50 % of the voting power, where the Fund's rights as minority shareholder are protective in nature, and not participative and where the major shareholder, or a group of shareholders holding majority ownership of the investee, operates without regard to the views of the Fund.

The lists of subsidiaries and associates at 31 December 2013 are disclosed in note 21 (b) and (c).

In these separate financial statements, investments in subsidiaries and associates are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement, as available-for-sale financial assets (see accounting policy 3 (c) below).

(b) Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Fund at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

The exchange rates of the main foreign currencies published by the National Bank of Romania at 31 December 2013 were as follows: 4.4847 RON/EUR; 3.2551 RON/USD and 5.3812 RON/GBP (31 December 2012: 4.4287 RON/EUR; 3.3575 RON/USD and 5.4297 RON/GBP).

(c) Financial assets and liabilities

(i) Recognition

The Fund recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(i) Recognition (continued)

Financial assets and liabilities are recognised initially at fair value plus any directly attributable transaction costs (including brokerage fees), except for the investments in equity securities whose fair value cannot be reliably measured, which are recognised initially at cost.

The cost of equity investments which are contributed in kind by the Romanian State to the Fund's share capital is determined in accordance with the provisions of Law 247/2005, as follows:

- for the shares received at the Fund's establishment in December 2005, the cost is equal:
  - either to the weighted average price of the last 90 trading days, provided that the last of the 90 trading days is not more than 60 days prior to 24 November 2005, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
  - or to the book value of the shareholders' equity at 31 December 2004, according to the statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the shares received in June 2007, the cost is equal:
  - either to the weighted average price of the last 90 trading days prior to 29 June 2007, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
  - or to the book value of the shareholders' equity at 31 December 2006, determined in accordance with statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the additional shares received in companies owned by the Romanian State and to which the State has made contributions in kind, which are received by the Fund so as not to dilute its shareholding in such companies, the cost for the Fund is determined at the par value of the shares received.

Mergers of portfolio companies are recognised at the date when the merger is registered at the Trade Register.

The bonus shares received by the Fund from portfolio companies that increased their share capital through incorporation of reserves are not recognised.

(ii) Classification

See accounting policies 3(d), (e), (f) and (g).

(iii) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(iii) Derecognition (continued)

Gains or losses arising from derecognition of a financial asset are calculated based on proceeds on disposal of financial assets and assets historical cost / initial valuation and are recorded in the profit or loss. The Fund uses the weighted average cost method (WAC) to determine the cost / initial valuation of financial assets disposed of. The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Policy applicable starting 1 January 2013

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 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 value of financial assets - equity instruments that are not traded in an active market - is determined by independent valuators, using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used are generally recognised as standard within the industry and include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The Fund uses valuation techniques that maximises 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. The valuation reports were prepared as at 30 September 2013, with a base of financial information available and used from the companies under valuation as at the respective date. The Fund is assessing and analysing available financial information from the portfolio companies, for the period between the date of the financial information used for the valuation reports to the end of the reporting period. If any significant change which may impact the fair values becomes available, the

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(vi) Fair value measurement (continued)

Fund is requesting the independent valuer to adjust the valuation, to the extent that the financial assets are reflected in the financial statements at their fair value.

The output of a valuation model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Policy applicable before 1 January 2013

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Fund measures the fair value of an instrument using quoted prices in an active market for that instrument at the reporting date. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for an equity security is not active, the Fund tries to establish fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flows analysis. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets are measured at a bid price and liabilities are measured at an ask price.

(vii) Identification and measurement of impairment

At each reporting date, the Fund assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against the financial assets. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Available for sale financial assets – equity investments

Impairment losses on equity investments carried at fair value are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If, in a subsequent period, the fair value of an impaired equity investment increases, the recovery is recognised directly in equity.

In determining that equity investments are impaired, the Fund considers all relevant factors, such as significant or prolonged decline in fair value below cost, market and industry conditions, to the extent that they influence the recoverable amount of the investment, financial conditions and near-term prospects of the issuer, including any specific adverse events that may influence the issuer's operations, recent losses of the issuer, qualified independent auditor's report on the issuer's most recent financial statements etc.

Impairment losses on equity investments carried at cost (where their fair value cannot be reliably measured) are measured as the difference between the carrying amount and an estimate of present value of future cash flows, determined using generally accepted valuation techniques.

Losses are recognised in profit or loss and are not reversed.

(d) Cash and deposits with banks

Cash includes notes and coins in hand and current accounts held with banks.

Deposits with banks include deposits with original maturities of less than three months and deposits with original maturities of more than three months and less than one year.

Cash and deposits with banks are carried at amortised cost in the statement of financial position.

Deposits with banks with original maturities of less than three months are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(e) Held to maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Fund from classifying investment securities as held-to-maturity for the current and the following two financial years. The Fund did not classify any investments as held-to-maturity as at 31 December 2013 and 31 December 2012.

3. Significant accounting policies (continued)

(f) Available-for-sale financial assets

The Fund's investments in treasury bills, government bonds and in equity securities are classified as available-for-sale financial assets. The inventory relief method used for the disposal of treasury bills and government bonds is "first-in first-out" (FIFO) method.

(i) Equity investments carried at fair value

Subsequent to initial recognition, equity investments (other than those described at section (ii) below) are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity.

When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(ii) Equity investments carried at cost

Investments in equity securities that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured using a valuation technique, are measured at cost, subject to impairment testing.

(g) Other financial assets and liabilities

Other financial assets and liabilities are measured at amortised cost using the effective interest method, less any impairment losses (in case of financial assets).

(h) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment losses and are amortised on a straight-line basis over a period of three years. The Fund intangible assets consist of computer software licenses and software development and implementation costs.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(i) Impairment of non-financial assets

The carrying amounts of the Fund's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant accounting policies (continued)

(j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

(k) Provisions

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(l) Dividend income

Dividend income relating to listed equity investments is recognised in profit or loss on the ex-dividend date. Dividend distributions from unlisted equity investments are recognised in profit or loss as dividend income when declared.

When the Fund receives or chooses to receive dividends in the form of additional shares rather than cash, the dividend income is recognised for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

When bonus shares are received with no cash alternative and only certain shareholders are granted additional shares, the shares received are measured at fair value and a corresponding amount of dividend income is recognised. However, if all shareholders receive bonus shares in proportion to their shareholdings, no dividend income is recognised as the fair value of the Fund's interest should be unaffected by the bonus issue.

The Fund recognises dividends from subsidiaries and associates as income in its separate financial statements when its right to receive the dividend is established.

For late dividend payments, the Fund initiates legal recovery measures (conciliation, litigations etc.). The Fund is entitled to charge penalties for overdue net dividends, applying the legal penalty interest rate according to the legislation in force. Penalty income on dividends is recognised in the financial year when collection is virtually certain.

Dividend income is presented gross of dividend withholding taxes, which are recognised as income taxes.

(m) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Interest income relates to current accounts, deposits held with banks, treasury bills and government bonds.

(n) Income from sale of securities

Gains or losses from the disposal of the financial assets are recognised in profit or loss at the date of derecognising of the financial assets. When an equity investments carried at fair value is derecognised, on sale or other disposal, or is impaired, the cumulative fair value changes recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

3. Significant accounting policies (continued)

(o) Foreign currency gains and losses

Foreign currency gains and losses are reported on a net basis and include realised and unrealised foreign exchange differences.

(p) Expenses

All expenses are recognised in profit or loss on an accrual basis.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax includes also dividend withholding taxes.

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends by the Fund are recognised at the same time as the liability to pay the related dividend is recognised.

The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

The applicable tax rates are 16% (standard tax rate and also, the dividend withholding tax).

3. Significant accounting policies (continued)

(r) Employee benefits

(i) Pensions and other post-retirement benefits

The Fund, in the normal course of business, makes payments to the Romanian State on behalf of its employees. All employees of the Fund are members of the Romanian State pension plan.

The Fund does not operate any other pension scheme or postretirement benefit plan and, consequently, has no obligation in respect of pensions. In addition, the Fund is not obliged to provide further benefits to its employees.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Fund is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Fund has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(s) Treasury shares

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

(t) Dividend payable

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

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

(u) Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards issued by the International Accounting Standards Board and adopted by the European Union ("EU") are effective for the current period:

- IFRS 13 "Fair Value Measurement", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 1 "Presentation of financial statements" - Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),

3. Significant accounting policies (continued)

(u) Standards and Interpretations effective in the current period (continued)

- Amendments to IAS 12 "Income Taxes"- Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 19 "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to various standards "Improvements to IFRSs (cycle 2009-2011)" resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013),
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The adoption of these amendments to the existing standards, except IFRS 13, will not led to any changes in the Fund’s accounting policies.

(v) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- IFRS 10 “Consolidated Financial Statements”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 “Joint Arrangements”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 “Disclosures of Interests in Other Entities”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (revised in 2011) “Separate Financial Statements”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements” – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 “Financial instruments: presentation” – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 “Impairment of assets” - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),

3. Significant accounting policies (continued)

(v) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective (continued)

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The Fund anticipates that the adoption of these standards, revisions and interpretations, except for IAS 27, IAS 31, IAS 36, IAS 39 and Amendments to IFRS 10, will have no material impact on its financial statements in the period of initial application.

Impact of the application of Addendum to IFRS 10 regarding "Investment Entities"

The Fund did not early adopt the Addendum to IFRS 10 regarding Investment entities in the separate financial statements for the year ended 31 December 2013. The Fund will apply the Addendum to IFRS 10 regarding Investment entities in the year starting 1 January 2014 when this addendum becomes effective.

By the time of the publication of these separate financial statements, the Fund did not assess the possible impact on the application of this addendum on the separate financial statements as at 31 December 2013. For the financial statements prepared as at 31 December 2014, once IFRS 10 Investment Entities will be effective, as required by the application of this standard the comparative information will be restated.

(w) Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations,, which were not endorsed for use as at the date of authorisation of these financial statements:

- IFRS 9 "Financial Instruments" and subsequent amendments (effective date was not yet determined),
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014).

The Fund anticipates that the adoption of these standards, amendments to the existing standards and interpretations, except for IFRS 9, will have no material impact on its financial statements in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principals have not been adopted by the EU, is still unregulated. According to the Fund's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

4. Financial risk management

The Fund's investment portfolio comprises listed and unlisted equity investments.

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The most important types of financial risks to which the Fund is exposed are market risk, credit risk and liquidity risk.

Starting from 29 September 2010 the Fund Manager implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

(a) Market risk

Market risk is the risk that changes in market prices and rates, such as equity prices, interest rates and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to its issuer or factors affecting all instruments traded in the market.

Equity price risk arises from changes in the value of available-for-sale equity securities and is the primary risk impacting the Fund. Diversification across securities and industries, to the possible extent given the unique investment mandate, is the primary technique for mitigating equity price risk. The Fund has concentrated exposure to the "Power utilities: generation", "Oil and gas", and "Power and gas utilities industries: transport and distribution" sectors.

The companies in which the Fund holds equity securities operate in different industries.

The Fund's exposure to industries was as follows:

	31 December 2013	31 December 2012
Oil and gas	7,151,416,711	5,393,677,236
Power utilities: generation	2,733,504,783	3,252,930,823
Power and gas utilities: transport, distribution, supply	3,259,422,077	1,579,714,678
Banks	458,174,184	437,936,339
Infrastructure	361,491,795	205,006,057
Heavy industry	147,808,896	142,420,748
Aluminium	105,464,181	145,769,428
Postal services	60,790,000	80,822,000
Others	29,957,456	31,467,029
	14,308,030,083	**11,269,744,338**

The Fund has equity investments of RON 8,178,000,261 at 31 December 2013 (31 December 2012: RON 6,071,338,958) listed on the Bucharest Stock Exchange (at either BSE or RASDAQ segment) or Vienna Stock Exchange.

For such investments, a ten per cent increase in the BET-C, respectively ATX index at the reporting date would have increased equity by RON 726,279,672 after tax (2012: RON 562,205,438); an equal change in the opposite direction would have decreased equity by RON 726,279,672 after tax (2012: RON 562,205,438). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

4. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Fund places cash into fixed rate bank deposits original maturities of more than one month and less than six months, and into treasury bills and government bonds with original maturities of up to one year.

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

Fixed rate instruments	**31 December 2013**	**31 December 2012**
Bank deposits with original maturities of less than three months	232,021,138	316,028,343
Treasury bills	129,887,375	454,732,857
Government bonds	83,748,146	-
	445,656,659	**770,761,200**

(iii) Currency risk

The Fund is exposed to currency risk on current accounts and deposits held with banks and receivables and payables that are denominated in foreign currencies, i.e. EUR, USD or GBP, but the balances were not significant during the reporting period.

The local currency depreciated compared to the EUR (from 4.4287 at 31 December 2012 to 4.4847 at 31 December 2013), appreciated compared to the USD (from 3.3575 at 31 December 2012 to 3.2551 at 31 December 2013) and appreciated compared to the GBP (from 5.4297 at 31 December 2012 to 5.3812 at 31 December 2013).

The Fund's exposure to currency risk was as follows:

	31 December 2013	**31 December 2012**
RON		
Monetary assets		
Petty cash	186	2,391
Current accounts with banks	1,706,762	1,852,096
Bank deposits with original maturities of less than three months	232,021,138	316,025,831
Interest accrued on bank deposits	88,875	1,281,109
Treasury bills	129,887,375	454,732,857
Government bonds	83,748,146	-
Dividends receivable	-	799,994
Other receivables	1,281,855	1,385,165
	448,734,337	**776,079,443**
Monetary liabilities		
Other liabilities	(42,253,380)	(20,841,591)
	(42,253,380)	**(20,841,591)**
	406,480,957	**755,237,852**

4. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

	31 December 2013	31 December 2012
EUR (in RON equivalent)		
Monetary assets		
Current accounts with banks	3,845,529	3,141
Bank deposits with original maturities of less than three months	-	2,512
Other receivables	2,342,366	803,888
	6,187,895	**809,541**
Monetary liabilities		
Other liabilities	(14,856)	(222,588)
	(14,856)	**(222,588)**
	6,173,039	**586,953**

	31 December 2013	31 December 2012
USD (in RON equivalent)		
Monetary assets		
Current accounts with banks	377	-
GBP (in RON equivalent)		
Monetary assets	156	-
Current accounts with banks		

A ten percent strengthening of the RON against the EUR as at 31 December would have decreased profit or loss by the amount shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2012.

Profit or loss	31 December 2013	31 December 2012
EUR	(617,304)	(58,695)
USD	(38)	-
GBP	(16)	-

As at 31 December 2013, the Fund held equity investments denominated in Euro with a fair value of EUR 27,402,896 (RON 122,893,769 equivalent).

As at 31 December 2012, the Fund held equity investments denominated in Euro with a fair value of EUR 36,387,261 (RON 161,148,206 equivalent).

4. Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills, government bonds and dividends receivable. The Fund's maximum exposure to credit risk from cash and deposits with banks was RON 237,662,304 at 31 December 2013 (31 December 2012: RON 319,164,689).

Cash and deposits are held with the following banks:

	31 December 2013	31 December 2012
Cash and deposits held with		
Unicredit Tiriac Bank	75,057,641	40,212,147
ING Bank	75,029,849	17,247,810
CITI Bank	58,003,992	88,855,134
BRD - Groupe Societe Generale	29,511,355	9,488,306
B.C.R.	58,733	71,177,973
Raiffeisen Bank	427	52,025,192
RBS Bank	306	40,158,127
	237,662,304	**319,164,689**

(i) Cash and deposits with banks

Current accounts and deposits are held with banks in Romania.

The Fund Manager established a formal policy regarding bank counterparty risks and limits. The Fund only establishes new deposits with financial institutions where the institution or the institution's corporate parent, have a credit rating above investment grade (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

(ii) Treasury bills

The Fund's maximum exposure to credit risk from treasury bills was RON 129,887,375 as at 31 December 2013 (31 December 2012: RON 454,732,857).

As of 31 December 2013, the Fund held the following treasury bills with discount, denominated in RON:

ISIN	Value as at 31 December 2013	Settlement Date	No. of units	Interest rate	Maturity date
RO1314CTN0E7	53,519,131	23-Dec-13	10,800	2.72%	30-Apr-14
RO1314CTN060	44,630,882	27-Jun-13	4,500	4.35%	12-Mar-14
RO1314CTN060	31,737,362	02-Jul-13	3,200	4.35%	12-Mar-14
Total	**129,887,375**				

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4. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Government bonds

The Fund's maximum exposure to credit risk from government bonds was RON 83,748,146 as at 31 December 2013 (31 December 2012: nil).

As of 31 December 2013, the Fund held the following government bonds, denominated in RON:

ISIN	Value as at 31 December 2013	Settlement Date	No. of units	Coupon rate	Maturity date
RO1214DBN027	48,971,641	14-Aug-13	4,647	5.95%	23-Apr-14
RO1214DBN027	34,776,504	23-Dec-13	3,300	5.95%	23-Apr-14
Total	**83,748,146**				

(iv) Dividends receivable

The Fund's maximum exposure to credit risk from dividends receivable was nil at 31 December 2013 (31 December 2012: RON 799,994).

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The following are the residual maturities of the Fund's financial assets and financial liabilities:

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2013				
Financial assets				
Cash and current accounts	5,552,477	-	-	-
Deposits with banks	232,110,013	-	-	-
Treasury bills	-	76,368,245	53,519,130	-
Government bonds	-	-	83,748,146	-
Dividends receivable	-	-	-	-
Equity investments	-	-	-	14,308,030,083
Other receivables	3,624,221	-	-	-
	241,286,711	**76,368,245**	**137,267,276**	**14,308,030,083**
Financial liabilities				
Other liabilities	42,268,236	-	-	-
	42,268,236	**-**	**-**	**-**

4. Financial risk management (continued)

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2012				
Financial assets				
Cash and current accounts	1,857,628	-	-	-
Deposits with banks	317,309,452	-	-	-
Treasury bills	131,728,059	113,827,183	209,177,615	-
Dividends receivable	799,994	-	-	-
Equity investments	-	-	-	11,269,744,338
Other receivables	2,189,053	-	-	-
	453,884,186	**113,827,183**	**209,177,615**	**11,269,744,338**
Financial liabilities				
Other liabilities	21,064,179	-	-	-
	21,064,179	**-**	**-**	**-**

The Fund's equity investments include unlisted securities, which are not traded in a regulated market and generally may be considered be illiquid. As a result, the Fund may not be able to liquidate quickly some of its investments in these instruments in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the credit worthiness of any particular issuer.

The Fund's listed equity securities are listed on the Bucharest Stock Exchange or on the Vienna Stock Exchange. However, not all listed shares listed on Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions.

(d) Taxation risk

On 1 January 2007 Romania became a member of the European Union ("EU") and therefore has to apply detailed and complex rules on the basis of the EU Treaties, Regulations and Directives. The Fund had to conform to EU legislation from 1 January 2007 and, therefore, it has prepared to apply the changes arising from the EU legislation. These changes were implemented and the tax authorities had up to 5 years to audit the way these changes were implemented.

Interpretation of the text and practical implementation procedures of the EU tax regulations could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Fund's treatment.

Furthermore, the Romanian Government has a number of agencies that are authorised to conduct audits (controls) of companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Fund will continue to be subject to regular controls as new laws and regulations are issued.

4. Financial risk management (continued)

(e) Operating environment

The on-going global credit and liquidity crisis has resulted in, among other things, lower liquidity levels and difficult access to the capital markets and across the Romanian banking sector.

Continuing fear that a deterioration of financial conditions in Europe could contribute to a further retrenchment in investor confidence prompted coordinated efforts by governments and central banks to adopt special measures. These efforts helped to restore some degree of confidence in the market and have helped return the market to a more functional condition. However, political and economic turmoil in the emerging markets is expected to continue, and this can impact the value of the Romanian economy, and consequently the Fund's portfolio companies and its shares.

Management is unable to predict all developments which could have an impact on the Romanian financial sector and consequently what effect, if any, they could have on these financial statements.

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

(f) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, service providers, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations.

The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

(g) Capital management

Fund's policy is to maintain a strong capital base so as to maintain shareholders' confidence and to sustain future developments.

The Fund's capital (shareholders' equity) comprises share capital, fair value and other reserves and retained earnings. The shareholders' equity was RON 14,721,026,268 at 31 December 2013 (31 December 2012: RON 12,389,056,771).

The Fund was not subject to externally imposed capital requirements.

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(all amounts are in RON unless otherwise stated)

5. 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	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 at fair value	-	-	14,032,669,261	-	14,032,669,261	14,032,669,261
Equity investments at cost	-	-	275,360,822	-	275,360,822	Not available
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	**-**	**14,521,665,604**	**(42,268,236)**	**14,720,684,079**	**Not available**

	Loans and receivables	Held to maturity	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2012						
Cash and current accounts	1,857,628	-	-	-	1,857,628	1,857,628
Deposits with banks	317,309,452	-	-	-	317,309,452	317,309,452
Treasury bills	-	-	454,732,857	-	454,732,857	454,732,857
Dividends receivable	799,994	-	-	-	799,994	799,994
Equity investments at fair value	-	-	6,071,338,958	-	6,071,338,958	6,071,338,958
Equity investments at cost	-	-	5,198,405,380	-	5,198,405,380	Not available
Other receivables	2,189,053	-	-	-	2,189,053	2,189,053
Other liabilities	-	-	-	(21,064,179)	(21,064,179)	(21,064,179)
	322,156,127	**-**	**11,724,477,195**	**(21,064,179)**	**12,025,569,143**	**Not available**

5. Financial assets and financial liabilities (continued)

As at 31 December 2013 and 31 December 2012, management estimated that the dividends receivable for which no impairment losses were recognised would be collected within a short period of time and therefore their carrying amount approximated fair value.

Equity investments carried at cost do not have reliably measurable fair values.

6. Gross dividend income

	Year ended 31 December 2013	Year ended 31 December 2012
OMV Petrom SA	318,951,645	353,125,036
Romgaz SA	158,941,766	140,639,003
Transgaz SA	37,568,760	52,515,091
E.ON Gaz Distributie SA	29,933,522	-
GDF Suez Energy Romania SA	22,800,000	-
Electrica Distributie Muntenia Nord SA	16,206,229	1,801,112
Complexul Energetic Oltenia SA	12,312,014	-
Societatea Nationala a Sarii SA	9,297,643	87,602
Electrica Furnizare SA	9,260,589	-
CN Aeroporturi Bucuresti SA	9,135,228	9,415,274
Conpet SA	8,403,049	6,612,533
CN Administratia Porturilor Maritime SA	5,355,571	6,570,224
Raiffeisen Bank International AG	4,433,195	4,052,568
Transelectrica SA	3,997,666	10,884,733
Nuclearelectrica SA	2,769,286	-
CN Administratia Canalelor Navigabile SA	856,672	525,946
Aeroportul International Timisoara - Traian Vuia SA	672,674	1,687,638
Alro SA	-	23,066,500
Complexul Energetic Rovinari SA	-	6,457,434
BRD - Group Societe General SA	-	4,237,166
Others	1,484,664	1,980,590
	652,380,173	**623,658,450**

The dividend income was subject to 16% withholding tax for Romanian equity investments and 5% withholding tax for Austrian equity investments. In cases where the relevant shareholding was larger than 10% for at least two years prior to the dividend distribution, no withholding tax was due.

7. Gains on disposal of equity investments

During 2013, the Fund finalised the disposal of its holding in Commetex SA and sold its entire holdings in Carom - Broker de Asigurare SA, Mecanoenergetica SA, Ciocarlia SA, Telerom Proiect SA, Celuloza si Otel SA, Transgaz SA and part of the holding in Raiffeisen Bank International AG. Also, in May 2013, the Fund disposed of 632,482,000 shares in OMV Petrom SA, accounting for approximately 1.1% of the company’s share capital. In 2013, the gain on disposal of these equity investments was RON 247,822,287 representing the difference between the proceeds from disposals (RON 573,117,053) and the carrying values of the equity investments as at disposal date (RON 681,786,220), plus the net unrealised gain related to these investments disposed, transferred from change in fair value reserve to profit or loss upon their derecognition (RON 356,491,454).

7. Gains on disposal of equity investments (continued)

In 2012, the gain on disposal of these equity investments was RON 17,878,048 representing the difference between the proceeds from disposals (RON 208,134,752) and the carrying values of the equity investments as at disposal date (RON 190,256,704). The amount of RON 4,798,715, classified at that time as Reversal of impairment losses of equity investments, was reclassified under the category Gain on disposal of equity investments, to be consistent to current year presentation.

8. Interest income

Interest income amounting to RON 36,143,817 in 2013 (2012: RON 34,922,880) arose from deposits held with banks, treasury bills and short-term government bonds.

9. Other operating expenses

	Year ended 31 December 2013	Year ended 31 December 2012
Investment management and administration fees	45,273,318	34,325,088
Financial Supervisory Authority fees	15,098,151	14,113,438
Depositary fee	1,780,597	1,675,454
Brokerage fees for selling of holdings in portfolio companies	7,653,492	351,522
Third party services	14,513,194	7,287,927
Other operating expenses	3,372,666	1,159,780
	87,691,418	**58,913,209**

Third party services increase was mainly due to the higher level of legal fees.

10. Income tax expense

	Year ended 31 December 2013	Year ended 31 December 2012
Current tax expense		
Dividend withholding tax	(2,678,657)	(4,687,167)
Prior year income tax adjustment	-	23,214
	(2,678,657)	**(4,663,953)**
Deferred tax related to:		
Equity investments	(887,251,705)	122,810,506
Fiscal loss carried forward	(180,063)	522,252
Provisions for restructuring	-	(9,524)
	(887,431,768)	**123,323,234**
Total income tax/ (expense) benefit	**(890,110,425)**	**118,659,281**

The effective tax rate used to calculate the deferred tax position of the Fund for the years ended 31 December 2013 and 31 December 2012 was 16% (standard tax rate).

10. Income tax expense (continued)

	Year ended 31 December 2013	Year ended 31 December 2012
Reconciliation of effective tax rate		
Loss for the period	(837,336,592)	(74,962,330)
Income tax (expense) / benefit	(890,110,425)	118,659,281
Profit/ (loss) excluding income tax	**52,773,833**	**(193,621,611)**
Income tax using the standard tax rate (16%)	**(8,443,813)**	**30,979,458**
Effect of:		
Lower tax rate on dividend income	101,150,910	94,652,303
Profit appropriation to legal reserve	298,564	-
Other non-taxable income	7,591,576	833,771
Other non-deductible expenses	(1,982,699)	(7,626,955)
Austrian dividend withholding tax	(256,189)	(202,510)
Reversal of deffered tax following the changes in the fiscal legislation	(887,251,705)	-
Impact of non-recognition of deffered tax asset on equity investments	(101,217,069)	-
Prior year profit tax correction	-	23,214
Total income tax/ (expense) benefit	**(890,110,425)**	**118,659,281**

	Year ended 31 December 2013	Year ended 31 December 2012
Tax income / (expense) recognised directly in equity:		
On equity investments carried at fair value	467,247,696	(238,865,572)

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 31 December 2013, the Fund did not recognise deferred tax in respect of equity investments which did not meet the criteria described above. The Fund has assessed the resulting deferred tax asset, but does not consider the likelihood of sufficient future taxable profits to offset this credit to be probable. As such the recoverability of this asset would be limited and as a result, no asset has been recognised.

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11. Cash and current accounts

	31 December 2013	31 December 2012
Petty cash	186	2,391
Current accounts with banks	5,552,291	1,855,237
	5,552,477	**1,857,628**

The current accounts held with banks are not pledged as collateral for liabilities.

12. Deposits with banks

	31 December 2013	31 December 2012
Bank deposits with original maturities of less than three months	232,021,138	316,028,343
Interest accrued on bank deposits	88,875	1,281,109
	232,110,013	**317,309,452**

None of the deposits held with banks is pledged as collateral for liabilities.

13. Treasury bills and government bonds

In 2013 and 2012, the Fund acquired discounted treasury bills denominated in RON, having yields to maturity between 2.72% – 6.25% per year.

	31 December 2013	31 December 2012
Treasury bills with original maturities of less than three months	76,368,245	100,354,399
Treasury bills with original maturities of more than three months and less than one year	53,519,130	354,378,458
	129,887,375	**454,732,857**

Also, in 2013, the Fund acquired government bonds with coupon, denominated in RON. The government bonds in balance as at 31 December 2013 amounted RON 83,748,146 (31 December 2012: nil), have original maturities of more than three months and less than one year and coupon rate of 5.95% per year.

14. Dividends receivables

	31 December 2013	31 December 2012
Dividends receivable		
CN Administratia Porturilor Dunarii Fluviale SA	173,250	-
Hidroelectrica SA	-	46,209,651
Other dividends receivable	655,718	1,446,159
	828,968	**47,655,810**
Impairment loss allowance		
CN Administratia Porturilor Dunarii Fluviale SA	(173,250)	-
Hidroelectrica SA	-	(46,209,651)
Other dividends receivable	(655,718)	(646,165)
	(828,968)	**(46,855,816)**
	-	**799,994**

In 2013, the Fund reversed the impairment adjustments related to dividends receivables collected during the year, the most significant one being that due by Hidroelectrica of RON 46,209,651, which was fully collected during 2013, according to the payment schedule agreed between Hidroelectrica SA and Fondul Proprietatea SA.

15. Receivables in respect of equity contributions

As at 31 December 2013 and 31 December 2012, the balance of receivables in respect of equity contributions was fully impaired. These receivables refer to unpaid contributions to Fund's share capital from the Ministry of Public Finance.

16. Equity investments

In accordance with Law 247/2005, as amended by Government Emergency Ordinance no.209/2005, the Fund received, at its establishment on 28 December 2005, shares in 117 companies as contribution in kind from the Romanian State, as sole shareholder.

In June 2007, Government Emergency Ordinance no. 81/2007 for the acceleration of the procedure for granting compensations for the property abusively nationalised ("GEO 81/2007") came into force, in accordance with which:

- 32 new shareholdings were added to the Fund's portfolio as contribution in kind to its share capital (21 shareholdings in companies already in the portfolio and 11 shareholdings in companies not previously in the portfolio);
- 39 shareholdings were removed from the Fund's portfolio and transferred back to the Romanian state.

The valuation of the shares contributed by the Romanian state in December 2005 and June 2007 was performed in October 2007 by an independent evaluator (Finevex S.R.L. Constanta), who followed the valuation methodology set forth by Law 247/2005. The value of the shareholdings, as determined by the evaluator, represents the cost (initial value) of the equity investments.

Equity investments are available-for-sale financial assets and are carried at fair value, except for the investments whose fair value cannot be reliably measured, which are carried at cost less impairment.

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16. Equity investments (continued)

As of 31 December 2013, the fair values of equity instruments that are traded in active markets were determined by reference to published bid price quotations on the stock exchange where shares are traded. For the unlisted equity instruments measured at fair value, the fair values were assessed by independent valuers, using valuation techniques in accordance with International Valuation Standards. Equity investments listed on the Bucharest Stock Exchange which are not actively traded, and unlisted securities for which a fair value was not available, are carried at cost less impairment.

As of 31 December 2012, the fair values were determined by reference to published bid price quotations on the stock exchange where shares are traded, where applicable, while the equity investments listed on the Bucharest Stock Exchange which are not actively traded, and all unlisted securities, were carried at cost less impairment.

At 31 December 2013 and 31 December 2012, for equity investments carried at cost, no fair values could be determined using valuation techniques as the range of the various estimates could not be reasonably assessed.

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

	Equity investments at fair value	Equity investments at cost	Total equity investments
31 December 2011	**4,768,466,068**	**5,963,176,400**	**10,731,642,468**
Shares contributions in kind by State	-	5,211,070	**5,211,070**
Subscriptions to share capital increase of portfolio companies	-	2,539,840	**2,539,840**
Acquisitions	62,217	-	**62,217**
Disposals	(190,099,153)	(157,551)	**(190,256,704)**
Impairment loss	-	(772,364,379)	**(772,364,379)**
Changes in fair value	1,492,909,826	-	**1,492,909,826**
31 December 2012	**6,071,338,958**	**5,198,405,380**	**11,269,744,338**

	Equity investments at fair value	Equity investments at cost	Total equity investments
31 December 2012	**6,071,338,958**	**5,198,405,380**	**11,269,744,338**
Shares contributions in kind by State	357,420	-	**357,420**
Cash contributions to portfolio companies share capital increases	42,713,841	-	**42,713,841**
Disposals	(680,039,979)	(1,746,241)	**(681,786,220)**
Reclassification of equity investments following their listing on BSE	998,147,455	(998,147,455)	-
Reclassification of unlisted equity investments following their valuation at fair value	3,923,150,862	(3,923,150,862)	-
Impairment loss	(835,772,382)	-	**(835,772,382)**
Changes in fair value	4,512,773,086	-	**4,512,773,086**
31 December 2013	**14,032,669,261**	**275,360,822**	**14,308,030,083**

16. Equity investments (continued)

In 2013, the Fund received 35,742 shares in Romgaz SA (with a nominal value of RON 357,420) following a share capital increase by that company, accounted for as contribution in kind of Romanian State, represented by Ministry of Public Finance, to the share capital of the Fund.

During 2013, the Fund participated in the cash share capital increases of portfolio companies, through:

- executing its pre-emptive right and participating in the cash share capital increase of E.ON Gaz Distributie SA, acquiring 399,164 shares at the nominal value of RON 2.5 per share (in total of RON 997,910);
- subscribing 1,111,575 new shares, in the cash share capital increase of Zirom SA, at the nominal value of RON 10 per share (in total of RON 11,115,750);
- executing its pre-emptive right and participating in the share capital increase of Nuclearelectrica SA, receiving 2,732,159 allotment rights (converted into shares at the listing of the shares of Nuclearelectrica on Bucharest Stock Exchange), acquired at the acquisition price in the Initial Public Offering carried on by this company, of RON 11.2 per share (in total of RON 30,600,181);

During 2013, the Fund finalised the disposal of its holding in Commetex SA and sold its entire holdings in Carom - Broker de Asigurare SA, Mecanoenergetica SA, Ciocarlia SA, Telerom Proiect SA, Celuloza si Otel SA, Transgaz SA and part of the holding in Raiffeisen Bank International AG. Also, in May 2013, the Fund disposed of 632,482,000 shares in OMV Petrom SA, accounting for approximately 1.1% of the company's share capital.

Following the listing of Nuclearelectrica SA and Romgaz SA on Bucharest Stock Exchange, the investments in these companies were reclassified from the category "Equity investments at cost" into the category "Equity investments at fair value". As at 31 December 2013, the fair values of these equity instruments were assessed on the bid price quotations on the stock exchange.

As at 31 December 2013, the Fund reclassified part of its unlisted equity investments previously measured at cost into the category "Equity instruments measured at fair value", because at that date, fair values were assessed by independent valuers, using valuation methods in accordance with International Valuation Standards.

Hidroelectrica's Insolvency

On 26 June 2013, the Bucharest Court has approved the closing of the judicial reorganisation procedure opened against Hidroelectrica in June 2012.

The litigation which triggered the Bucharest Court of Appeal decision on 25 February 2014 (please see Note 22) by which Hidroelectrica was placed back under reorganisation procedure, was in progress as at 31 December 2013. This indicates that these conditions existed before the end of Fund's reporting period and meet the requirements of an adjusting event after the end of the reporting period. As a result, the Fund updated the valuation of its holding in Hidroelectrica on 11 March 2014 that was reflected in the financial statements for the year ended 31 December 2013. The new valuation report was prepared by an independent valuer and indicated a value for the Fund's holding in Hidroelectrica of RON 2,105,161 thousand, which is RON 134,251 thousand lower than the valuation previously available, before the Court decision. The decrease in the valuation was mainly due to the new legal situation of Hidroelectrica, which has resulted in a higher discount being applied for the lack of marketability, 25% versus 10% used in the original valuation report prepared prior to 31 December 2013).

Impairment losses

In 2013, the Fund recorded impairment adjustments in amount of RON 835,772,382 (2012: RON 772,364,379) for the equity investments presented below, based on either fair values assessed by independent valuers or by reference to published prices quotations on the stock exchange (for listed holdings). All impairment losses are recognised through profit or loss. During 2013, an amount of RON 158,703,880 has been reclassified from other comprehensive income to profit or loss, due to the prolonged declined in the respective equity investments values.

16. Equity investments (continued)

The equity investments for which the Fund recorded impairment adjustments were:

Company	Year ended 31 December 2013	Year ended 31 December 2012
Complexul Energetic Oltenia SA	348,440,812	-
Nuclearelectrica SA	305,472,325	-
BRD - Groupe Societe Generale SA	97,670,533	-
Raiffeisen Bank International AG	43,870,195	-
Posta Romana SA	20,032,000	3,842,380
Erste Group Bank AG	17,163,151	-
Forsev SA	3,123,366	-
Hidroelectrica SA	-	768,521,999
Total	**835,772,382**	**772,364,379**

The structure of the Fund's portfolio was the following:

	31 December 2013	31 December 2012
Equity investments at fair value		
OMV Petrom S.A.	5,054,412,918	4,876,542,833
Hidroelectrica S.A.*	2,105,161,000	-
Romgaz S.A.*	1,975,701,973	-
Enel Distributie Banat S.A.*	573,250,000	-
Enel Distributie Muntenia S.A. *	473,070,000	-
GDF Suez Energy Romania *	404,410,000	-
Enel Distributie Dobrogea S.A. *	379,110,000	-
E.ON Moldova Distributie S.A. *	345,359,000	-
Complexul Energetic Oltenia S.A.*	321,644,000	-
Nuclearelectrica S.A.*	306,699,784	-
Electrica Distributie Muntenia Nord S.A.*	296,200,000	-
CN Aeroporturi Bucuresti S.A.*	287,654,000	-
BRD - Groupe Societe Generale S.A.	228,487,104	205,892,268
Electrica Distributie Transilvania Nord S.A. *	206,700,000	-
Electrica Distributie Transilvania Sud S.A. *	192,000,000	-
E.ON Gaz Distributie S.A. *	165,200,000	-
Transelectrica S.A.	156,245,398	125,570,240
Conpet S.A.	115,715,745	92,958,315
Banca Transilvania S.A.	106,793,312	70,895,864
Alro Slatina S.A.	105,464,182	145,769,428
Raiffeisen Bank International AG	77,793,309	118,905,477
Posta Romana S.A. *	60,790,000	-
Zirom S.A. *	43,464,000	-
Forsev S.A. *	657,000	-
Transgaz S.A.	-	384,687,160
Other	50,686,536	50,117,374
	14,032,669,261	**6,071,338,959**

**equity investments reclassified from "Equity investments at cost" in "Equity investments at fair value"*

16. Equity investments (continued)

Equity investments at cost		
Societatea Nationala a Sarii S.A.	76,049,556	76,049,556
CN Administratia Porturilor Maritime S.A.	52,621,414	52,621,414
E.ON Energie Romania S.A .	45,765,358	45,765,358
Primcom S.A.	25,347,293	25,347,293
Hidroelectrica S.A.*	-	2,001,000,000
Complexul Energetic Oltenia S.A.*	-	670,084,812
Electrica Distributie Muntenia Nord S.A.*	-	165,223,950
Enel Distributie Banat S.A.*	-	141,578,929
CN Aeroporturi Bucuresti S.A.*	-	131,168,262
E.ON Moldova Distributie S.A. *	-	131,073,011
Electrica Distributie Transilvania Sud S.A. *	-	125,918,628
Electrica Distributie Transilvania Nord S.A. *	-	115,755,059
Enel Distributie Dobrogea S.A. *	-	114,760,052
Enel Distributie Muntenia S.A. *	-	107,277,263
Posta Romana S.A. *	-	80,822,000
Romgaz S.A.*	-	416,301,444
Nuclearelectrica S.A.*	-	581,846,011
Other	75,577,201	215,812,337
	275,360,822	**5,198,405,379**
Total equity investments	**14,308,030,083**	**11,269,744,338**

**equity investments reclassified from "Equity investments at cost" in "Equity investments at fair value"*

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

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).

16. Equity investments (continued)

At 31 December 2013:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	8,178,000,261	-	5,854,669,000	14,032,669,261
Treasury bills	129,887,375	-	-	129,887,375
Government bonds	83,748,146	-	-	83,748,146
	8,391,635,782	**-**	**5,854,669,000**	**14,246,304,782**

At 31 December 2012:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	6,071,338,958	-	-	6,071,338,958
Treasury bills	454,732,857	-	-	454,732,857
	6,526,071,815	**-**	**-**	**6,526,071,815**

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.

For all Level 3, the equity instruments valuation was performed by an independent valuer, based on financial information provided by the Fund using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs, under the supervision and review of the Fund's Management, who ensures that all underlying data used in the report is accurate, and appropriate inputs are used in the valuation. As the valuation reports were prepared as at 30 September 2013, with a base of financial information available and used from the companies under valuation as at the respective date, the Fund's Management have analysed, based on the available information, the period between the date of the valuation reports and 31 December 2013. There was no information known or available to the Fund's Management which may have impact on the fair values of the equity investments as at 31 December 2013, as they are presented in these separate financial statements.

16. 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.

As at 31 December 2013, the equity investments classified as available for sale included equity investments valued at cost less impairment in amount of RON 275,360,822 (31 December 2012: RON 5,198,405,380).

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.

As at 31 December 2013, unlisted equity investments with a carrying amount of RON 5,854,669,000 were classified into Level 3 of the fair value hierarchy. Out of this balance, an amount of RON 2,291,000,656 represents the net change in fair value recognised in other comprehensive income. The fair values for these equity investments were assessed by independent valuers, using valuation methods in accordance with International Valuation Standards. Previously, these equity investments were measured at cost due to lack of availability of reliable fair values.

The following table sets out information about significant unobservable inputs used at 31 December 2013 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Financial assets	Fair value at 31 December 2013	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Total	**5,854,669,000**			
Unlisted equity instruments	5,749,758,000	Market approach - comparable companies (based on EBITDA multiples)	EBITDA multiple ranging from 5.52 to 9.18	The higher EBITDA multiple, the higher the fair value.
			Discount for lack of marketability: 10% or 25%	The lower discount for lack of marketability, the higher the fair value.

16. Equity investments (continued)

Financial assets	Fair value at 31 December 2013	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity instruments	104,911,000	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 13% to 15%.	The lower the weighted average cost of capital, the higher the fair value.
			Discount for lack of marketability: 0% or 5% or 10%	The lower discount for lack of marketability, the higher the fair value.
			Discount for lack of control: 0% or 20%	The lower discount for lack of control, the higher the fair value.
			Long-term revenue growth rate ranging from 2% to 2.5%	The higher the revenue growth rate, the higher the fair value.

Significant unobservable inputs are the following:

EBITDA multiple: represents the most relevant multiple used when pricing the investments and is selected from comparable public companies based on geographic location, industry size, target markets and other factors that valuers considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its EBITDA and further discounted for considerations such as the lack of marketability and other differences between the comparable peer group and specific company.

Discount for lack of marketability: represents the discount applied to the comparable market multiples to reflect the illiquidity of the portfolio companies relative to the comparable peer group. Valuers determined the discount for lack of marketability based on its judgement after considering market liquidity conditions and company-specific factors.

Discount for lack of control: represents the discount applied to reflect the absence of the control power and it was considered under the discounted cash flow method, in order to derive the value of a minority shareholding in the equity of the subject companies.

Weighted average cost of capital: represents the calculation of a company's cost of capital in nominal terms (including inflation), based on the "Capital Asset Pricing Model". All capital sources – shares, bonds and any other long-term debts - are included in a weighted average cost of capital calculation.

17. Deferred tax assets and liabilities

	31 December 2013	31 December 2012
Temporary differences deductible (taxable)		
Impairment losses on equity investments	-	5,237,961,506
Changes in fair values of equity investments	-	(2,969,427,906)
Fiscal loss carried forward	2,138,680	3,264,075
	2,138,680	**2,271,797,675**
Deferred tax asset at 16%	**342,189**	**363,487,628**

The effective tax rate used to calculate the deferred tax position of the Fund as at 31 December 2013 and as at 31 December 2012 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 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.

18. Other liabilities

	31 December 2013	31 December 2012
Investment Management and Administration fees	13,471,953	8,862,463
Dividends payable	11,250,020	9,481,720
Provision for litigations	11,104,066	-
Financial Supervisory Authority commission	1,262,977	1,230,482
Tax on dividends	1,423,830	-
Other liabilities	3,755,390	1,489,514
	42,268,236	**21,064,179**

In April 2013, the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.04089 per share, equivalent to a total gross dividend of RON 536,437,206, payable to shareholders with effect from 28 June 2013, which represented the distributable profits of 2012. As at 31 December 2013, shareholders had collected 99% of this dividend.

In April 2012, the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03854 per share, equivalent to a total gross dividend of RON 507,658,517, payable to shareholders with effect from 29 June 2012, which represented the distributable profits of 2011. As at 31 December 2013, shareholders had collected 99% of this dividend.

The provision for litigations was recorded in relation with the legal case started by World Trade Center against the Fund in August 2013, asking the Fund to pay back the amounts recovered from the enforcement procedure against this company during 2010 and 2011 and the related legal interest (please see details in Note 20 Contingencies).

18. Other liabilities (continued)

The amounts recovered from the enforcement procedure (approximately RON 9.5 million equivalent) were originally accounted for by the Fund as contributions of Ministry of Public Finance to the share capital of the Fund, decreasing the receivable related to unpaid capital. Consequently, these amounts are to be recovered by the Fund from the Ministry of Public Finance (being accounted as a receivable over this shareholder of the Fund, for which an impairment ajustment has been recoreded), while the legal interest was recorded as an expense with provisions for litigations.

19. Shareholders' equity

(a) Share capital

As of 31 December 2013, the authorised and issued share capital comprised 13,778,392,208 ordinary shares at a nominal value of RON 1 per share out of which 365,254,622 shares were unpaid.

Unpaid share capital represents the net value of certain contributions due from the Romanian state, represented by the Ministry of Public Finance. During 2013, RON 357,420 (representing the nominal value of 35,742 shares in Romgaz SA received by the Fund as contribution in kind from Romanian state) were transferred from unpaid share capital to the paid in share capital.

Holders of unpaid shares are not entitled to vote or to receive dividends.

At 31 December 2012, the authorised and issued share capital comprised 13,778,392,208 ordinary shares at a nominal value of RON 1 per share, out of which 365,612,042 shares were unpaid.

By 31 December 2013, the State's share in the Fund's issued capital was 2.67% (31 December 2012: 2.68%) out of which only 0.024% was paid.

The movements in share capital components are presented below:

	Share capital paid in	Share capital unpaid	Total share capital
31 December 2011	**13,407,569,096**	**370,823,112**	**13,778,392,208**
Unpaid share capital compensated by State contributions	5,211,070	(5,211,070)	-
31 December 2012	**13,412,780,166**	**365,612,042**	**13,778,392,208**
Shares contributed in kind by the State	357,420	(357,420)	-
31 December 2013	**13,413,137,586**	**365,254,622**	**13,778,392,208**

(b) Fair value reserves on available-for-sale financial assets

The fair value reserves of RON 7,174,887,404 at 31 December 2013 (31 December 2012: RON 2,494,319,443) comprised the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

(c) Other reserves

	31 December 2013	31 December 2012
Legal reserve	192,259,194	158,151,474
Other reserves	120,299,557	120,299,557
	312,558,751	**278,451,031**

19. Shareholders' equity (continued)

(c) Other reserves (continued)

As required by the Romanian law, a minimum 5% of the statutory profit for the year must be transferred to the legal reserve. Such annual transfers must be discontinued when the reserve equals 20% of the issued share capital. The legal reserve cannot be used for distributions to shareholders.

The statutory financial statements have been prepared in accordance with the National Securities Commission ("CNVM") Regulation no. 4/2011 regarding accounting regulations compliant with Economic European Commission Directive IV, applicable to the entities authorised, regulated and monitored by Financial Supervision Authority ("FSA"), approved by CNVM Order no. 13/2011.

In 2013, the Fund transferred to the legal reserves an amount of RON 34,107,720 representing 5% of the 2013 statutory gross profit of RON 682,154,399 (in 2012: RON 28,348,272 representing 5% of the 2012 statutory gross profit of RON 566,988,651).

(d) Treasury shares

The Fund's General Shareholders Meeting in September 2010 approved a buyback programme 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. At the General Shareholders Meeting on April 2012, the shareholders approved to cancel the treasury shares and to reduce the share capital, but the registration of the shareholders' decision with Trade Register was blocked at the request of one shareholder of the Fund.

In the litigation started by this shareholder, the Court irrevocably ruled in favour of the Fund, the shareholders' resolution being registered with Trade Register and published in the Official Gazette on 31 July 2013. The legislation requires that after two months the resolution is published in the Official Gazette, the Fund Manager has to ask the Financial Supervisory Authority to approve the share capital decrease. Thus, the share capital decrease will be effective after the obtaining of the Financial Supervisory Authority approval.

The same shareholders meeting in April 2012 approved a second buyback programme: subject to cash availability, the Fund Manager was authorised to repurchase a maximum number of 1.1 billion shares within 18 months of the date when the shareholders' resolution is published in the Official Gazette, at prices ranging between 0.2 - 1.5 RON per share, following to cancel them upon the completion of the buyback programme. The second buy-back programme was delayed because of the case opened by a minority shareholder and it started on 12 April 2013. 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. None of the shares had been cancelled by 31 December 2013. The Fund Manager will submit to shareholders' approval the share capital decrease by cancelling the shares purchased during the second buy-back programme after the share capital decrease for capital distribution approved by shareholders on 3 February 2014 is effective.

On 22 November 2013, the shareholders approved a third buy-back programme: the Fund Manager was authorised to repurchase a maximum number of 252,858,056 shares or 1.89% of the paid in 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 buy-back programme.

19. Shareholders' equity (continued)

(d) Treasury shares (continued)

The third buy-back programme will be started after the first share capital decrease for cancelling the shares purchased during the first buy-back programme is effective.

(e) Dividends

During 2013, the Fund distributed dividends, related to statutory earnings 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).

Being an entity regulated by FSA (former CNVM) and governed by Capital Market Law, the Fund also has the obligation to calculate and publish monthly, including for the year-end, its net asset value according to the requirements included in the Regulation no.4/2010, as subsequently amended, issued by CNVM (referred hereinafter "NAV"). The capital market law states that "the publication and the use of other measures or calculations for the value of the total net assets, the unitary value of the net assets and the number of holders of participation titles, except for those certified by the depositary shall be forbidden." On this basis, "net assets" is defined as the net assets certified by the depositary of the Fund.

CNVM Regulation no.4/2011, with subsequent amendments (Romanian accounting regulations) and CNVM Regulation no.4/2010, prescribe two different calculation rules for the net assets of the Fund, one value is presented in the annual financial statements prepared in accordance with Romanian accounting regulations (presented as Total shareholders' equity) and another value is presented in the year-end (31 December) NAV reporting submitted to CNVM/FSA (presented as Net Asset Value). There are significant differences in respect of the two calculation methods, the most significant being related to the measurement of equity investments, which in the financial statements prepared in accordance with Romanian accounting regulations are measured at cost less any adjustments for impairment, recorded directly through equity, not through Income statement (shareholders' equity as at 31 December 2013: RON 10,885,061,292), while in the NAV reporting they are measured at their fair value (NAV as at 31 December 2013: RON 15,013,742,081.74).

Since its registration with CNVM on 18 August 2010, the Fund has adopted the net asset value computed in accordance with CNVM Regulation 4/2010 as the most relevant basis to determine the fair market value of the net assets for assessing whether dividends are distributable, as per article 69 of the Companies law provisions.

The Fund is currently in the process of obtaining clarifications from the relevant Romanian authorities (being the Ministry of Public Finance, the Ministry of Justice and the FSA) on the interpretation of the provisions of contrasting regulations regarding the distribution of dividends and other reserves of the Fund. Depending on the final conclusion of the clarifications, any change in interpretations from the regulatory authorities increases the legal risks regarding dividend distribution and may require changes in the Fund's distribution policy in the future. It should also be noted that, in the near future (probably in 2015), IFRS will become the statutory set of financials and, when this occurs, the dividend policy and profit allocation practices will need to be reviewed in line with the applicable regulations and accounting standards in force at that time. The Fund Manager remains committed to ensuring annual distributions to the Fund's shareholders.

During 2012 the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03854 per share, in relation to 2011 statutory profits.

20. Contingencies

As at 31 December 2013 the Fund was involved in certain litigations, either as defendant or claimant. According to the requirements of the IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" the Fund discloses in the financial statements those which may have significant effects on the Fund's financial position or profitability. The most important litigations were as follows:

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

In one of these cases, on 10 October 2012 the Bucharest Court of Appeal rejected the appeal filed by the Fund and upheld the decision of the Bucharest Court to partly admit a claim to annul certain resolutions from the 6 September 2010 GSM relating to (inter alia) approval of a new Constitutive Act and the first appointment of FTIML as the administrator of the Fund.

This decision is irrevocable and it was implemented by Trade Register, without any changes in the Management of the Fund considering that:

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new versions were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM and the 23 November 2012 GSM;

new resolutions passed during the 25 April 2012 GSM and 23 November 2012 GSM specifically ratified and re-approved the objects of all the resolutions to which this Court decision relates (these resolutions were proposed by a shareholder and approved with a significant majority).

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

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

2. Other contingencies of the Fund included:

1. The Fund is due to receive the following amounts from the Romanian State:
   - 3% of the amounts collected in by the institutions involved in the privatisation process from each sale of shares held with Romtelecom SA, until the sale of the entire participation;
   - 20% of the amounts resulting from the privatization of Romtelecom SA;
   - 9.9% of the amounts resulting from the privatisation of C.E.C. SA.

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

20. Contingencies (continued)

2. The receivables from World Trade Center Bucharest SA:

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

Until 31 December 2013, 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 ajustment 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 14 March 2014.

Currently, World Trade Center Bucharest SA is the object of insolvency procedure, the next hearing being set for 25 June 2014.

21. Related parties

(a) Key management

	Year ended 31 December 2013	Year ended 31 December 2012
Salaries		
Members of the Board of Nominees	779,052	523,507

There were no loans to or other transactions between the Fund and the members of the Board of Nominees in 2013 or in 2012.

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 as follows:

Transactions	Year ended 31 December 2013	Year ended 31 December 2012
Investment management fee	35,821,686	27,159,099
Administration fee	9,451,632	7,165,989
Rental expense	104,237	105,276
Operating cost	28,894	28,188
	45,406,449	**34,458,552**

21. Related parties (continued)

(a) Key management (continued)

During 2013 the Fund recorded also an amount of RON 1,754,236 representing expenses incurred by the Fund Manager on its behalf (2012: RON 1,012,597). The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominees approval.

As at 31 December 2013, the Fund owed an amount of RON 14,019,201 to the Fund Manager (31 December 2012: RON 9,146,226).

There are no other elements of compensation for key management.

(b) Subsidiaries

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

	31 December 2013	31 December 2012
Ownership interest		
Alcom S.A. Timisoara	72%	72%
Comsig S.A. Sighisoara	70%	70%
Primcom S.A. Bucuresti	75%	75%
Zirom S.A. Giurgiu	100%	100%
Carom - Broker de Asigurare S.A. Bucuresti*	-	70%
Telerom Proiect S.A. Bucuresti*	-	69%

** In 2013, Fondul sold its entire holding in Carom Broker de Asigurare S.A. and Telerom Proiect S.A. Bucuresti*

	Year ended 31 December 2013	Year ended 31 December 2012
Gross dividend income		
Alcom	24,392	-
Dividends received		
Alcom	24,392	-

	31 December 2013	31 December 2012
Dividends receivable		
Carom - Broker de Asigurare S.A. Bucuresti	10,158	10,158
	10,158	**10,158**
Impairment loss allowance		
Carom - Broker de Asigurare S.A. Bucuresti	(10,158)	(10,158)
	(10,158)	**(10,158)**
	-	-

21. Related parties (continued)

(c) Associates

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

	31 December 2013	31 December 2012
Ownership interest		
OVM Petrom S.A.	19%	20%

In May 2013 the Fund disposed of 632,482,000 shares in OMV Petrom SA and following this transaction, the Fund's holding in OMV Petrom decreased to 18.99% of the share capital of the company.

During 2013, the Fund recorded and received from OMV Petrom S.A. a dividend of RON 318,951,645 (31 December 2012: RON 353,125,036).

22. Subsequent events

3 February GSM Decisions

On 3 February 2014 the shareholders of the Fund approved three important items, as follows:

1. An amendment of the Constitutive Act of Fondul Proprietatea, in order to eliminate the quorum restrictions that were additional to Romanian legislation for the share capital decrease. The amendment of the Constitutive Act enters into force after the endorsement of Financial Supervisory Authority and after the publication in Official Gazette.

2. The decrease of the subscribed share capital of Fondul Proprietatea for capital distribution, involving the decrease of the subscribed share capital of Fondul Proprietatea from RON 13,538,087,407 to RON 12,861,183,036.65 through the reduction of the nominal value of the shares of Fondul Proprietatea from RON 1.00 to RON 0.95. The decrease of the share capital will be effective, in accordance with Article 208 para. (1) of Law no. 31/1990, after the expiry of a two months term starting with the publication of the general meeting of shareholders resolution in the Official Gazette of Romania, Part IV, provided that Financial Supervisory Authority shall have endorsed the amendment of Article 7 para. (1) of the Constitutive Act of Fondul Proprietatea as approved by shareholders during the meeting.

The shareholders registered with Central Depositary 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 shall start in 30 days after the decrease of the share capital mentioned above is effective.

3. The ratification and approval of all resolutions taken by the general shareholders meetings and all the 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 2 February 2014 and the approval and ratification of any implementation acts, facts and operations based on such, including the management of the Fondul Proprietatea under an unitary system.

22. Subsequent events (continued)

Review of strategic options for Fund's holding in OMV Petrom S.A.

As part of its ongoing commitment to increase value for shareholders and improve the liquidity of the assets in the Fund's portfolio, the Fund is reviewing strategic options to potentially reduce its ownership interest in OMV Petrom SA to below a 15% holding, subject to appropriate market conditions and required approvals. The review is in its early stages and there is no defined timetable for any decision. The Fund currently holds 19% of the issued share capital of OMV Petrom SA and aims to enhance the trading liquidity of the company's shares while remaining committed to its successful development.

Update regarding Hidroelectrica

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

- Cancelled the initial decision of Bucharest Court from 26 June 2013 whereby the judicial reorganisation procedure of Hidroelectrica was closed for procedural reasons. As a result, the case will be sent back to the syndic judge for a retrial. As a consequence, the company is placed back under the reorganisation procedure and the former judicial administrator is reinstated with an immediate effect.
- Cancelled and sent back to the syndic judge for retrial two other cases, the first one filed by Hidroelectrica against a decision through which the syndic judge admitted the claim of Termoelectrica and the second one filed by Elsid Titu against a decision of the syndic judge through which he did not admit a claim worth around RON 13 million following the application of the force majeure clause in 2011.

The litigation which triggered the Bucharest Court of Appeal decision on 25 February 2014 by which Hidroelectrica was placed back under reorganisation procedure, was in progress as at 31 December 2013. This indicates that these conditions existed before the end of Fund's reporting period and meet the requirements of an adjusting event after the end of the reporting period. As a result, the Fund updated the valuation of its holding in Hidroelectrica on 11 March 2014, that was reflected in the financial statements for the year ended 31 December 2013 (please see Note 16). The new valuation report was prepared by an independent valuer and indicated a value for the Fund's holding in Hidroelectrica of RON 2,105,161 thousand, which is RON 134,251 thousand lower than the valuation previously available, before the Court decision. The decrease in the valuation was mainly due to the new legal situation of Hidroelectrica, which has resulted in a higher discount being applied for the lack of marketability, 25% versus 10% used in the original valuation report prepared prior to 31 December 2013).

Share capital decrease

According with the FSA decision no.1/21 February 2014, FSA endorsed the decrease of the subscribed share capital of the Fund, from RON 13,778,392,208 to RON 13,538,087,407, following the cancellation of 240,304,801 treasury shares acquired by the Fund during the first buy-back programme in 2011. The share capital decrease is effective beginning with 24 February 2014. Therefore, starting with 24 February 2014, the new value of the Fund's subscribed share capital is RON 13,538,087,407 and the value of the paid-up share capital is RON 13,172,832,785.

Annex 4

STATEMENT OF PERSONS RESPONSIBLE

Provisions of Art.30 of Accounting Law no. 82/1991 and
CNVM Regulations no. 1/2006, Art.112[1], par. 1, letter c

The annual financial statements as at 31 December 2013 prepared for:

Entity: Fondul Proprietatea S.A.
Address: Bucharest, District 1, 78–80, Buzeşti Street, 7th Floor
Trade Registry Number: J40/21901/28.12.2005
Form of property: 22 (joint ownership with public capital under 50%, domestic and foreign public and private capital companies)
CAEN code and name: 6430 "Trusts, funds and similar financial entities"
Sole Registration Code: 18253260

The undersigned, Grzegorz Maciej Konieczny, Legal representative, and Mihaela Moleavin, Financial reporting manager with Franklin Templeton Investment Management Ltd. United Kingdom, Bucharest Branch, as sole administrator of Fondul Proprietatea S.A, undertake the responsibility for the preparation of the annual financial statements on 31 December 2013 and confirm that:

a) The accounting policies used for the preparation of the annual financial statements are in compliance with the applicable accounting regulations;

b) The annual financial statements give a true and fair view of the financial position and performance and of other information regarding the conducted business.

c) The company is conducting its business on the going concern basis.

d) The Annual Administrator's Report of Franklin Templeton Investment Management Ltd. United Kingdom, Bucharest Branch, regarding the management and administration of Fondul Proprietatea S.A. for the year 2013, includes an accurate overview of the developments and performance of Fondul Proprietatea S.A., as well as a description of the main risks and uncertainties related to the business.

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

Grzegorz Maciej Konieczny	Mihaela Moleavin
Legal Representative	Financial Reporting Manager

S.C. FONDUL PROPRIETATEA S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2012

Prepared in accordance with International Financial Reporting Standards

Contents

Deloitte.

Deloitte Audit S.R.L.
Sos. Nicolae Titulescu nr.4-8,
Intrarea de est,
etajul 2 - zona Deloitte si etajul 3,
Sector 1, 011141, Bucuresti,
Romania

Tel: +40 21 222 16 61
Fax: +40 21 222 16 60
www.deloitte.ro

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

INDEPENDENT AUDITOR'S REPORT

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Fondul Proprietatea S.A. and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as of December 31, 2012, and the consolidated statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2 Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3 Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurances about whether the consolidated financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

7 We draw attention to the fact that during 2012 a number of major economies around the world have experienced strong volatility in the capital markets and severe restrictions in the credit markets. As a consequence of the market turmoil in capital and credit markets both globally and in Romania, notwithstanding any potential economic stabilization measures that may be put into place by the State, economic uncertainties arose surrounding the continual availability and cost of credit for the Group's counterparties, future development of the markets 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 Group may be not recovered at their carrying amount in the ordinary course of business, and a corresponding impact on the Group's profitability cannot be estimated reliably as of the date of this report. Our opinion is not modified in respect of this matter.

8 As presented in Note 22 to the consolidated financial statements, we draw attention to the fact that as at December 31, 2012 Fondul Proprietatea has several unsettled litigations which are at different stages with the Romanian courts. The ultimate outcome and related impact of these cases cannot presently be determined with certainty. Our opinion is not modified in respect of this matter.

Other Matters

9 This report is made solely to the Fund's Sole Director, Board of Nominee and shareholders, as a body. Our audit work has been undertaken so that we might state to the Fund's Sole Director, Board of Nominee and shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Sole Director, Board of Nominee and the Group's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

For signature, please refer to the original Romanian version.

Deloitte Audit S.R.L.
Bucharest, Romania
June 18, 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AS AT 31 DECEMBER 2012
(all amounts are in RON unless otherwise stated)

	Note	Year ended 31 December 2012	Year ended 31 December 2011
Gross dividend income	6	270,533,414	320,810,181
Interest income	7	34,922,880	41,129,291
Reversal of impairment losses on dividends receivable		-	28,323,677
Reversal of impairment losses on disposed equity investments	17	4,798,715	21,545,871
Reversal of impairment losses / (impairment losses) on receivables in respect of equity contributions	16	5,211,070	(10,001,304)
Impairment losses on equity investments	17	(772,364,379)	(51,691,805)
Impairment losses on dividends receivable	15	(46,209,651)	-
Impairment losses on other receivables		(878,300)	-
Gains on disposal of equity investments	8	13,079,333	8,799,778
Share of profit in associates (net of income tax)	18	793,560,710	755,858,482
Net foreign exchange gains /(losses)		(217,729)	700,842
Other operating income	9	3,949,848	12,187,358
Net operating income		**306,385,911**	**1,127,662,371**
Personnel expenses		(658,639)	(644,081)
Other operating expenses	10	(58,913,209)	(54,243,301)
Operating expenses		**(59,571,848)**	**(54,887,382)**
Profit before tax		**246,814,063**	**1,072,774,989**
Income tax (expense)/ benefit	11	118,659,281	(472,220)
Profit for the period		**365,473,344**	**1,072,302,769**
Other comprehensive income / (loss)			
Net change in fair value of available-for-sale equity investments		(80,205,252)	(333,664,982)
Income tax benefit/ (expense) on other comprehensive income	11	12,832,841	53,386,398
Total other comprehensive income/ (loss)		**(67,372,411)**	**(280,278,584)**
Total comprehensive income /(loss) for the period		**298,100,933**	**792,024,185**
Basic and diluted earnings per share		**0.03**	**0.08**

The financial statements were authorised for issue on 18 June 2013 by:

Oana Truţa
as Legal Representative on behalf of
Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch
acting in the capacity of Sole Director of S.C. Fondul Proprietatea S.A.

The notes on pages 8 to 46 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (all amounts are in RON unless otherwise stated)

	Note	31 December 2012	31 December 2011
Assets			
Cash and current accounts	*12*	1,857,628	1,912,808
Deposits with banks	*13*	317,309,452	296,356,801
Treasury bills	*14*	454,732,857	195,919,673
Dividends receivable	*15*	799,994	52,479,298
Equity investments	*17*	6,393,201,506	7,428,214,714
Investment in associate	*18*	4,706,829,818	4,238,522,215
Deferred tax assets	*19*	229,462,919	93,306,844
Other assets		2,189,054	2,558,644
Total assets		**12,106,383,228**	**12,309,270,997**
Liabilities			
Other liabilities	*20*	21,064,179	42,266,294
Total liabilities		**21,064,179**	**42,266,294**
Equity			
Share capital	*21*	13,778,392,208	13,778,392,208
Fair value reserve on available-for-sale financial assets	*21*	129,930,898	197,303,309
Other reserves	*21*	278,451,032	250,102,759
Treasury shares	*21*	(120,268,583)	(120,268,583)
Accumulated losses		(1,981,186,506)	(1,838,524,990)
Total equity		**12,085,319,049**	**12,267,004,703**
Total liabilities and equity		**12,106,383,228**	**12,309,270,997**

The notes on pages 8 to 46 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Treasury shares	Accumulated losses	Total attributable to the equity holders of the Fund
Balance at 31 December 2010	**13,778,392,208**	**477,581,893**	**222,823,865**	**-**	**(2,422,993,610)**	**12,055,804,356**
Comprehensive income for the period						
Profit for the period	-	-	-	-	1,072,302,769	**1,072,302,769**
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	(333,664,982)	-	-	-	**(333,664,982)**
Share of income and expense recognised directly in the equity of associates (net of income tax)	-	-	-	-	(27,826,207)	**(27,826,207)**
Income tax on income and expense recognised directly in equity	-	53,386,398	-	-	-	**53,386,398**
Total other comprehensive income	**-**	**(280,278,584)**	**-**	**-**	**(27,826,207)**	**(308,104,791)**
Total comprehensive income for the period	**-**	**(280,278,584)**	**-**	**-**	**1,044,476,562**	**764,197,978**
Transactions with owners, recorded directly in equity						
Transfers to other reserves	-	-	27,278,894	-	(27,278,894)	**-**
Increase of share capital	-	-	-	(120,268,583)	-	**(120,268,583)**
Dividends declared	-	-	-	-	(432,729,048)	**(432,729,048)**
Total transactions with owners recorded directly in equity	**-**	**-**	**27,278,894**	**(120,268,583)**	**(460,007,942)**	**(552,997,631)**
Balance at 31 December 2011	**13,778,392,208**	**197,303,309**	**250,102,759**	**(120,268,583)**	**(1,838,524,990)**	**12,267,004,703**

The notes on pages 8 to 46 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Treasury shares	Accumulated losses	Total attributable to the equity holders of the Fund
Balance at 31 December 2011	**13,778,392,208**	**197,303,309**	**250,102,759**	**(120,268,583)**	**(1,838,524,990)**	**12,267,004,703**
Comprehensive income for the period						
Profit for the period	-	-	-	-	365,473,344	**365,473,344**
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	(80,205,252)	-	-	-	**(80,205,252)**
Share of income and expense recognised directly in the equity of associates (net of income tax)	-	-	-	-	27,871,930	**27,871,930**
Income tax on income and expense recognised directly in equity	-	12,832,841	-	-	-	**12,832,841**
Total other comprehensive income	**-**	**(67,372,411)**	**-**	**-**	**27,871,930**	**(39,500,481)**
Total comprehensive income for the period	**-**	**(67,372,411)**	**-**	**-**	**393,345,274**	**325,972,863**
Transactions with owners, recorded directly in equity						
Transfer to other reseves	-	-	28,348,273	-	(28,348,273)	-
Buybacks	-	-	-	-	-	-
Dividends declared	-	-	-	-	(507,658,517)	**(507,658,517)**
Total transactions with owners recorded directly in equity	**-**	**-**	**28,348,273**	**-**	**(536,006,790)**	**(507,658,517)**
Balance at 31 December 2012	**13,778,392,208**	**129,930,898**	**278,451,032**	**(120,268,583)**	**(1,981,186,506)**	**12,085,319,049**

The notes on pages 8 to 46 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012
(all amounts are in RON unless otherwise stated)

	Year ended 31 December 2012	Year ended 31 December 2011
Cash flows from operating activities		
Proceeds from sale of equity instruments	207,870,803	13,375,649
Acquisition of treasury bills, net	(254,624,873)	52,838,373
Interest received	30,329,419	46,014,449
Dividends received (net of withholding tax)	272,246,179	295,746,608
Dividends received from associates	353,125,036	201,623,004
Realised foreign exchange losses on cash and cash equivalents	(200,367)	(303,030)
Collection of bank deposits maturing in more than 3 months, net	-	378,486,499
Interest received in relation with the dividends late payments	1,756,213	12,488,059
Subscriptions to share capital increase of portfolio companies	(2,539,840)	-
Other receipts	158,362	135,339
Income tax paid	(121,794)	(1,109,707)
Salaries and related taxes paid	(686,412)	(894,909)
Suppliers and other taxes and fees paid	(76,280,760)	(52,345,240)
Acquisition of equity investments	(62,217)	(769,842,368)
Net cash flows from operating activities	**530,969,749**	**176,212,726**
Cash flows from financing activities		
Dividends paid (including related taxes)	(510,476,930)	(452,037,883)
Acquisition of treasury shares	-	(120,268,583)
Net cash flows used in financing activities	**(510,476,930)**	**(572,306,466)**
Net increase in cash and cash equivalents	**20,492,819**	**(396,093,740)**
Cash and cash equivalents at 1 January	297,393,152	693,486,892
Cash and cash equivalents at 31 December	**317,885,971**	**297,393,152**

	31 December 2012	31 December 2011
Cash	1,857,628	1,912,808
Bank deposits with original maturities of less than three months	316,028,343	295,480,344
	317,885,971	**297,393,152**

The notes on pages 8 to 46 are an integral part of these financial statements.

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 amended (“Law 247/2005”) and Government Decision no. 1481/2005 and registered in Bucharest on 28 December 2005. The address of the Fund’s registered office is 78 - 80, Buzeşti 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”).

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”) 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”.

The consolidated financial statements of the Fund for the year ended 31 December 2012 comprise the Fund and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements for year ended 31 December 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by European Union (IFRS).

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for equity investments that are quoted on an active market and treasury bills, which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Romanian Lei (RON), which is the Group’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.

2. Basis of preparation (continued)

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 5 – Financial risk management;
- Note 10 – Other operating expenses;
- Note 17 – Valuation of equity investments;
- Note 19 –Deferred tax assets;
- Note 20 – Other liabilities;
- Note 22 – Contingencies.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Subsidiaries and associates

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account, when applicable.

The lists of subsidiaries at 31 December 2012 are disclosed in note 23.

Given the materiality considerations, investments in subsidiaries are accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement,* as available-for-sale financial assets (see accounting policy 3 (c) below).

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. The existence of significant influence is determined by analysing the ownership structure of the companies in which the Fund holds 20 % or more of the voting power of the investee, their articles of incorporation and the Fund's power to participate in the financial and operating policy decisions of the investee.

The Fund does not exercise significant influence in a number of companies in which it holds between 20 and 50 % of the voting power, where the Fund's rights as minority shareholder are protective in nature, and not participative and where the major shareholder, or a group of shareholders holding majority ownership of the investee, operates without regard to the views of the Fund.

Associates are accounted for using the equity method and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

3. Significant accounting policies (continued)

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The associates at 31 December 2012 are disclosed in note 18.

(iii) Acquisitions from entities under common control

The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the entities' IFRS financial statements. Any difference between the cost of the interests received by the Group (as determined in accordance with G.E.O. 81/2007; see accounting policy 3(c)(i)) and the carrying amounts of the net assets acquired is recognised directly in equity.

(b) Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

The exchange rates of the main foreign currencies published by the National Bank of Romania at 31 December 2012 were as follows: 4.4287 RON/EUR and 3.3575 RON/USD (31 December 2011: 4.3197 RON/EUR and 3.3393 RON/USD).

(c) Financial assets and liabilities

(i) Recognition

The Group recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value plus any directly attributable transaction costs, except for the investments in equity securities whose fair value cannot be reliably measured, which are recognised initially at cost.

The cost of equity investments which are contributed in kind by the Romanian State to the Fund's share capital is determined in accordance with the provisions of Law 247/2005, as amended by Government Emergency Ordinance ("GEO") 81/2007, as follows:

- for the shares received at the Fund's establishment in December 2005, the cost is equal:
  - either to the weighted average price of the last 90 trading days, provided that the last of the 90 trading days is not more than 60 days prior to 24 November 2005, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
  - or to the book value of the shareholders' equity at 31 December 2004, according to the statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

- for the shares received in June 2007, the cost is equal:
  - either to the weighted average price of the last 90 trading days prior to 29 June 2007, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
  - or to the book value of the shareholders' equity at 31 December 2006, determined in accordance with statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the additional shares received in companies owned by the Romanian State and to which the State has made contributions in kind, which are received by the Fund so as not to dilute its shareholding in such companies, the cost for the Fund is determined at the par value of the shares received.

Mergers of portfolio companies are recognised at the date when the merger is registered at the Trade Register.

The bonus shares received by the Fund from portfolio companies that increased their share capital through incorporation of reserves are not recognised.

(ii) Classification

See accounting policies 3(d), (e), (f) and (g).

(iii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Gains or losses arising from derecognition of a financial asset are calculated based on proceeds on disposal of financial assets and assets historical cost / initial valuation and are recorded in the Income Statement.

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

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument at the reporting date. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for an equity security is not active, the Group tries to establish fair value using a valuation technique.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets are measured at a bid price and liabilities are measured at an asking price.

(vii) Identification and measurement of impairment

At each reporting date, the Fund assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against the financial assets. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on equity investments carried at fair value are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If, in a subsequent period, the fair value of an impaired equity investment increases, the recovery is recognised directly in equity.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

Impairment losses on equity investments carried at cost (where their fair value cannot be reliably measured) are measured as the difference between the carrying amount and an estimate of present value of future cash flows, determined using generally accepted valuation techniques.

Losses are recognised in profit or loss and are not reversed.

In determining that equity investments are impaired, the Group considers all relevant factors, such as significant or prolonged decline in fair value below cost, market and industry conditions, to the extent that they influence the recoverable amount of the investment, financial conditions and near-term prospects of the issuer, including any specific adverse events that may influence the issuer's operations, recent losses of the issuer, qualified independent auditor's report on the issuer's most recent financial statements etc.

(d) Cash and deposits with banks

Cash includes notes and coins on hand and current accounts held with banks.

Deposits with banks include deposits with original maturities of less than three months and deposits with original maturities of more than three months and less than one year.

Cash and deposits with banks are carried at amortised cost in the statement of financial position.

Deposits with banks with original maturities of less than three months are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(e) Held to maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

The Group did not classify any investments as held-to-maturity as at 31 December 2012 and 31 December 2011.

(f) Available-for-sale financial assets

The Group's investments in treasury bills and in equity securities are classified as available-for-sale financial assets. The inventory relief method used for the disposal of treasury bills and bonds is "first-in first-out" (FIFO) method.

(i) Equity investments carried at fair value

Subsequent to initial recognition, equity investments (other than those described at section (ii) below) are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity.

When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

3. Significant accounting policies (continued)

(f) Available-for-sale financial assets (continued)

(ii) Equity investments carried at cost

Investments in equity securities that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured using a valuation technique, are measured at cost, subject to impairment testing.

(g) Other financial assets and liabilities

Other financial assets and liabilities are measured at amortised cost using the effective interest method, less any impairment losses (in case of financial assets).

(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Fund and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative period are as follows:

- Leasehold improvements 3 years
- IT equipment 3 years
- Vehicles 5 years
- Furniture and other equipment 5-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(i) Impairment of non-financial assets

The carrying amounts of the Fund’s non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. Significant accounting policies (continued)

(i) Impairment of non-financial assets (continued)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

(k) Provisions

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(l) Dividend income

Dividend income relating to listed equity investments is recognised in profit or loss on the ex-dividend date. Dividend distributions from unlisted equity investments are recognised in profit or loss as dividend income when declared.

When the Group receives or chooses to receive dividends in the form of additional shares rather than cash, the dividend income is recognised for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

When bonus shares are received with no cash alternative and only certain shareholders are granted additional shares, the shares received are measured at fair value and a corresponding amount of dividend income is recognised. However, if all shareholders receive bonus shares in proportion to their shareholdings, no dividend income is recognised as the fair value of the Group's interest should be unaffected by the bonus issue.

The Group recognises dividends from subsidiaries and associates as income in its consolidated financial statements when its right to receive the dividend is established.

For late dividend payments, the Group initiates legal recovery measures (conciliation, litigations etc.). The Group is entitled to charge penalties for overdue net dividends, applying the legal penalty interest rate according to the legislation in force. Penalty income on dividends is recognised in the financial year when collection is virtually certain.

Dividend income is presented gross of dividend withholding taxes, which are recognised as income taxes.

(m) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Interest income relates to current accounts, deposits held with banks and treasury bills.

3. Significant accounting policies (continued)

(n) Income from sale of securities

Gains or losses from the disposal of the financial assets are recognised in profit or loss at the date of derecognising of the financial assets. When an equity investments carried at fair value is derecognised, on sale or other disposal, or is impaired, the cumulative fair value changes recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

(o) Foreign exchange gains and losses

Foreign exchange gains and losses are reported on a net basis and include realised and unrealised foreign exchange differences.

(p) Expenses

All expenses are recognised in profit or loss on an accrual basis.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax includes also dividend withholding taxes.

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends by the Group are recognised at the same time as the liability to pay the related dividend is recognised.

The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

The applicable tax rates are 16% (standard tax rate and also, the dividend withholding tax).

3. Significant accounting policies (continued)

(r) Employee benefits

(i) Pensions and other post-retirement benefits

The Fund, in the normal course of business, makes payments to the Romanian State on behalf of its employees. All employees of the Fund are members of the Romanian State pension plan.

The Fund does not operate any other pension scheme or postretirement benefit plan and, consequently, has no obligation in respect of pensions. In addition, the Fund is not obliged to provide further benefits to its employees.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Fund is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Fund has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(s) Treasury shares

The Group recognises the treasury shares (repurchases of own shares) at the date when the transaction is recorded at the exchange where shares are traded (trade date); treasury shares are recorded at acquisition cost, including brokerage fees.

(t) Dividend payable

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

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

(u) Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the European Union ("EU") are effective for the current period:

- *Amendments to IFRS 7 "Financial Instruments: Disclosures"* - Transfers of Financial Assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

The adoption of these amendments to the existing standards has not led to any changes in the Fund's accounting policies.

3. Significant accounting policies (continued)

(v) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- *IFRS 10 "Consolidated Financial Statements"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IFRS 11 "Joint Arrangements"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IFRS 12 "Disclosures of Interests in Other Entities"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IFRS 13 "Fair Value Measurement"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- *IAS 27 (revised in 2011) "Separate Financial Statements"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *Amendments to IFRS 1 "First-time Adoption of IFRS"* - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IFRS 7 "Financial Instruments: Disclosures"* - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IAS 1 "Presentation of financial statements"* - Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- *Amendments to IAS 12 "Income Taxes"* - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IAS 19 "Employee Benefits"* - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IAS 32 "Financial instruments: presentation"* - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The Group anticipates that the adoption of these standards, revisions and interpretations, except for IFRS 13, will have no material impact on its financial statements in the period of initial application.

3. Significant accounting policies (continued)

(w) Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at the date of authorisation of these financial statements:

- *IFRS 9 "Financial Instruments"* (effective for annual periods beginning on or after 1 January 2015),
- *Amendments to IFRS 1 "First-time Adoption of IFRS"* - Government Loans (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures"* – Mandatory Effective Date and Transition Disclosures,
- *Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"* - Transition Guidance (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements"* - Investment Entities (effective for annual periods beginning on or after 1 January 2014),
- *Amendments to various standards "Improvements to IFRSs (2012)"* resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2013).

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations, except for IFRS 9 and Amendments to IFRS 10, will have no material impact on its financial statements in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principals have not been adopted by the EU, is still unregulated.

According to the Group's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

4. Financial risk management

The Group's investment portfolio comprises listed and unlisted equity investments.

The Group's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The most important types of financial risks to which the Group is exposed are market risk, credit risk and liquidity risk.

Starting from 29 September 2010 the Fund Manager implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

(a) Market risk

Market risk is the risk that changes in market prices and rates, such as equity prices, interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to its issuer or factors affecting all instruments traded in the market.

Equity price risk arises from changes in the value of available-for-sale equity securities and is the primary risk impacting the Group. Diversification across securities and industries, to the possible extent given the unique investment mandate, is the primary technique for mitigating equity price risk. The Group has concentrated exposure to the "Power utilities: generation", "Oil and gas", and "Power and gas utilities industries: transport and distribution" sectors.

The companies in which the Group holds equity securities operate in different industries.

The Group's exposure to industries was as follows:

	31 December 2012	31 December 2011
Power utilities: generation	3,252,930,823	4,016,241,752
Power and gas utilities: transport, distribution, supply	1,579,714,678	1,633,222,004
Oil and gas	517,134,403	515,110,124
Banks	437,936,339	484,034,158
Infrastructure	205,006,057	205,006,057
Aluminium	145,769,428	236,875,321
Heavy industry	142,420,748	221,436,338
Postal services	80,822,000	84,664,380
Others	31,467,030	31,624,580
	6,393,201,506	**7,428,214,714**

The Group has equity investments of RON 1,194,796,125 at 31 December 2012 (31 December 2011: RON 1,465,038,314) which are listed on the Bucharest Stock Exchange (at either BSE or RASDAQ segment) or Vienna Stock Exchange.

4. Financial risk management (continued)

(a) Market risk (continued)

For such investments, a ten per cent increase in the BET-C, respectively ATX index at the reporting date would have increased equity by RON 104,649,177 after tax (2011: RON 128,131,772); an equal change in the opposite direction would have decreased equity by RON 104,649,177 after tax (2011: RON 128,131,772). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2011.

(ii) Interest rate risk

The Fund places cash into fixed rate bank deposits original maturities of more than one month and less than six months and into treasury bills.

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

Fixed rate instruments	**31 December 2012**	**31 December 2011**
Bank deposits with original maturities of less than three months	316,028,343	295,480,344
Treasury bills	454,732,857	195,919,673
	770,761,200	**491,400,017**

(iii) Currency risk

The Group is exposed to currency risk on current accounts and deposits held with banks and receivables and payables that are denominated in foreign currencies, i.e. euro (EUR) and U.S. dollars (USD), but the balances were not significant during the reporting period.

The local currency depreciated compared to the EUR (from 4.3197 RON/EUR at 31 December 2011 to 4.4287 at 31 December 2012) and compared to the USD (from 3.3393 RON/EUR at 31 December 2011 to 3.3575 at 31 December 2012).

The Fund's exposure to currency risk was as follows:

	31 December 2012	**31 December 2011**
RON		
Monetary assets		
Petty cash	2,391	135
Current accounts with banks	1,852,096	1,878,993
Bank deposits with original maturities of less than three months	316,025,831	295,480,227
Interest accrued on bank deposits	1,281,109	876,457
Treasury bills	454,732,857	195,919,673
Dividends receivable	799,994	52,479,298
Other receivables	1,385,166	831,286
	776,079,444	**547,466,069**
Monetary liabilities		
Other liabilities	(20,841,591)	(42,206,771)
	(20,841,591)	**(42,206,771)**
	755,237,853	**505,259,298**

4. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

	31 December 2012	31 December 2011
EUR (in RON equivalent)		
Monetary assets		
Current accounts with banks	3,141	33,680
Bank deposits with original maturities of less than three months	2,512	117
Other receivables	803,888	1,727,358
	809,541	**1,761,155**
Monetary liabilities		
Other liabilities	(222,588)	-
	(222,588)	**-**
	586,953	**1,761,155**

A ten percent strengthening of the RON against the EUR as at 31 December would have decreased profit or loss by the amount shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2011.

Profit or loss	31 December 2012	31 December 2011
EUR	(58,695)	(176,116)

As at 31 December 2012, the Group held equity investments denominated in Euro with a fair value of EUR 36,387,261 (RON 161,148,206 equivalent).

As at 31 December 2011, the Group held equity investments denominated in Euro with a fair value of EUR 38,463,298 (RON 166,149,792 equivalent).

(b) Credit risk

Credit risk is the risk of financial loss to the Group if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills and dividends receivable. The Group's maximum exposure to credit risk from cash and deposits with banks was RON 319,164,689 at 31 December 2012 (31 December 2011: RON 298,269,474).

Cash and deposits are held with the following banks:

	31 December 2012	31 December 2011
Cash and deposits held with		
CITI Bank	88,855,134	8,010,500
B.C.R.	71,177,973	83,686,191
Raiffeisen Bank	52,025,192	10,030,556
Unicredit Tiriac Bank	40,212,147	71,193,790
RBS Bank	40,158,127	50,081,958
ING Bank	17,247,810	4,950,587
BRD - Groupe Societe Generale	9,488,306	69,976,602
C.E.C.	-	304,800
Bancpost	-	34,379
Marfin Bank	-	110
	319,164,689	**298,269,474**

4. Financial risk management (continued)

(b) Credit risk (continued)

(i) Cash and deposits with banks

Current accounts and deposits are held with banks in Romania.

The Fund Manager established a formal policy regarding bank counterparty risks and limits. The Fund only establishes new deposits with financial institutions where the institution or the institution's corporate parent, have a credit rating above investment grade (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

(ii) Treasury bills

The Group's maximum exposure to credit risk from treasury bills was RON 454,732,857 as at 31 December 2012 (31 December 2011: RON 195,919,673).

As of 31 December 2012, the Fund held the following treasury bills with discount, denominated in RON:

ISIN	Value as at 31 December 2012	Settlement Date	No. of treasury bills units	Interest rate	Maturity date
RO1213CTN0I0	25,475,336	5-Sep-2012	2,600	6.00%	7-May-2013
RO1213CTN0I0	50,999,941	5-Sep-2012	5,207	6.11%	7-May-2013
RO1213CTN0K6	27,590,885	12-Sep-2012	2,819	5.99%	14-May-2013
RO1213CTN023	19,455,665	27-Sep-2012	1,950	5.55%	16-Jan-2013
RO1213CTN0G4	25,566,151	16-Aug-2012	2,603	5.91%	24-Apr-2013
RO1213CTN015	24,971,056	12-Jul-2012	2,500	5.35%	9-Jan-2013
RO1213CTN023	24,946,163	27-Jul-2012	2,500	5.30%	16-Jan-2013
RO1213CTN023	21,948,501	22-Aug-2012	2,200	5.75%	16-Jan-2013
RO1213CTN023	2,703,833	3-Oct-2012	271	5.55%	16-Jan-2013
RO1213CTN023	5,277,962	3-Oct-2012	529	5.55%	16-Jan-2013
RO1213CTN056	25,649,039	12-Jul-2012	2,581	5.39%	13-Feb-2013
RO1213CTN080	20,248,625	17-Oct-2012	2,050	5.80%	20-Mar-2013
RO1213CTN0M2	20,287,800	3-Oct-2012	2,059	5.91%	3-Apr-2013
RO1213CTN0P5	40,363,380	7-Nov-2012	4,245	6.08%	6-Nov-2013
RO1213CTN023	32,424,879	16-Nov-2012	3,250	5.60%	16-Jan-2013
RO1213CTN049	19,887,531	12-Nov-2012	2,000	5.70%	6-Feb-2013
RO1213CTN049	48,041,988	27-Dec-2012	4,833	6.00%	6-Feb-2013
RO1213CTN0R1	18,894,122	5-Dec-2012	2,000	6.28%	4-Dec-2013
Total	**454,732,857**				

(iii) Dividends receivable

The Group's maximum exposure to credit risk from dividends receivable was RON 799,994 at 31 December 2012 (31 December 2011: RON 52,479,298).

4. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the residual maturities of the Group's financial assets and financial liabilities:

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2012				
Financial assets				
Cash and current accounts	1,857,628	-	-	-
Deposits with banks	317,309,452	-	-	-
Treasury bills	131,728,059	113,827,183	209,177,615	-
Dividends receivable	799,994		-	-
Equity investments	-	-	-	6,393,201,506
Other receivables	2,189,054	-	-	-
	453,884,187	**113,827,183**	**209,177,615**	**6,393,201,506**
Financial liabilities				
Other liabilities	21,064,179	-	-	-
	21,064,179	**-**	**-**	**-**

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2011				
Financial assets				
Cash and current accounts	1,912,808	-	-	-
Deposits with banks	240,304,320	56,052,481	-	-
Treasury bills	19,783,015	-	176,136,658	-
Dividends receivable	52,479,298		-	-
Equity investments	-	-	-	7,428,214,714
Other receivables	2,558,644	-	-	-
	317,038,085	**56,052,481**	**176,136,658**	**7,428,214,714**
Financial liabilities				
Other liabilities	42,206,771	-	-	-
	42,206,771	**-**	**-**	**-**

The Group's equity investments include unlisted securities, which are not traded in a regulated market and generally may be considered be illiquid. As a result, the Group may not be able to liquidate quickly some of its investments in these instruments in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the credit worthiness of any particular issuer.

The Group's listed equity securities are listed on the Bucharest Stock Exchange or on the Vienna Stock Exchange. However, not all listed shares listed on Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions.

(d) Taxation risk

On 1 January 2007 Romania became a member of the European Union ("EU") and therefore has to apply detailed and complex rules on the basis of the EU Treaties, Regulations and Directives. The Group has to conform to EU legislation from 1 January 2007 and, therefore, it has prepared to apply the changes arising from the EU legislation. These changes have been implemented, however the tax authorities have up to 5 years to audit the way these changes were implemented.

4. Financial risk management (continued)

(d) Taxation risk (continued)

Interpretation of the text and practical implementation procedures of the EU tax regulations could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Group's treatment.

Furthermore, the Romanian Government has a number of agencies that are authorized to conduct audits (controls) of companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Group will continue to be subject to regular controls as new laws and regulations are issued.

(e) Operating environment

The on-going global credit and liquidity crisis has resulted in, among other things, lower liquidity levels and difficult access to the capital markets and across the Romanian banking sector.

Continuing fear that a deterioration of financial conditions in Europe could contribute to a further retrenchment in investor confidence prompted coordinated efforts by governments and central banks to adopt special measures through 2012. These efforts helped to restore some degree of confidence in the market and have helped return the market to a more functional condition. However, political and economic turmoil in the emerging markets is expected to continue, and this can impact the value of the Romanian economy, and consequently the Group's portfolio companies and its shares.

Management is unable to predict all developments which could have an impact on the Romanian financial sector and consequently what effect, if any, they could have on these financial statements.

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

(f) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

(g) Capital management

Group's policy is to maintain a strong capital base so as to maintain shareholders' confidence and to sustain future developments.

The Group's capital (shareholders' equity) comprises share capital, fair value and other reserves and retained earnings. The shareholders' equity was RON 12,085,319,049 at 31 December 2012 (31 December 2011: RON 12,267,004,703).

The Group was not subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
(all amounts are in RON unless otherwise stated)

5. Financial assets and financial liabilities

Accounting classifications and fair values

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

	Loans and receivables	Held to maturity	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2012						
Cash and current accounts	1,857,628	-	-	-	1,857,628	1,857,628
Deposits with banks	317,309,452	-	-	-	317,309,452	317,309,452
Treasury bills	-	-	454,732,857	-	454,732,857	454,732,857
Dividends receivable	799,994	-	-	-	799,994	799,994
Equity investments at fair value	-	-	1,194,796,126	-	1,194,796,126	1,194,796,126
Equity investments at cost	-	-	5,198,405,380	-	5,198,405,380	Not available
Other receivables	2,189,054	-	-	-	2,189,054	2,189,054
Other liabilities	-	-	-	(21,064,179)	(21,064,179)	(21,064,179)
	322,156,128	**-**	**6,847,934,363**	**(21,064,179)**	**7,149,026,312**	**Not available**

	Loans and receivables	Held to maturity	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2011						
Cash and current accounts	1,912,808	-	-	-	1,912,808	1,912,808
Deposits with banks	296,356,801	-	-	-	296,356,801	296,356,801
Treasury bills	-	-	195,919,673	-	195,919,673	195,919,673
Dividends receivable	52,479,298	-	-	-	52,479,298	52,479,298
Equity investments at fair value	-	-	1,465,038,314	-	1,465,038,314	1,465,038,314
Equity investments at cost	-	-	5,963,176,400	-	5,963,176,400	Not available
Other receivables	2,558,644	-	-	-	2,558,644	2,558,644
Other liabilities	-	-	-	(42,206,771)	(42,206,771)	(42,206,771)
	353,307,551	**-**	**7,624,134,387**	**(42,206,771)**	**7,935,235,167**	**Not available**

5. Financial assets and financial liabilities (continued)

As at 31 December 2012 and 31 December 2011, management estimated that the dividends receivable for which no impairment losses were recognised would be collected within a short period of time and therefore their carrying amount approximated fair value.

Equity investments carried at cost do not have reliably measurable fair values.

6. Gross dividend income

	Year ended 31 December 2012	Year ended 31 December 2011
Romgaz S.A.	140,639,003	106,010,598
Transgaz S.A.	52,515,091	50,768,117
Alro S.A.	23,066,500	16,024,881
Transelectrica S.A.	10,884,733	1,147,845
CN Aeroporturi Bucuresti S.A.	9,415,274	9,932,510
Conpet S.A.	6,612,533	6,984,786
CN Administratia Porturilor Maritime S.A.	6,570,224	-
Complexul Energetic Rovinari S.A.	6,457,434	20,711
Raiffeisen Bank International AG	4,052,569	4,735,544
BRD - Groupe Societe Generale S.A.	4,237,166	2,427,206
Electrica Distributie Muntenia Nord S.A.	1,801,112	-
Aeroportul Intl' Timisoara - Traian Vuia S.A.	1,687,638	1,536,108
Hidroelectrica S.A.	-	52,478,623
ENEL Distributie Banat S.A.	-	20,161,712
Primcom S.A.	-	14,276,720
ENEL Distributie Dobrogea S.A.	-	13,529,334
GDF Suez Energy S.A.	-	9,600,000
Delfincom S.A.	-	5,633,501
Erste Group Bank AG	-	3,514,050
Others	2,594,136	2,027,935
	270,533,414	**320,810,181**

The dividend income was subject to 16% withholding tax for Romanian equity investments and 5% withholding tax for Austrian equity investments. In cases where the relevant shareholding was larger than 10% for at least two years prior to the dividend distribution, no withholding tax was due.

7. Interest income

Interest income amounting to RON 34,922,880 in 2012 (2011: RON 41,129,291) arose from deposits held with banks and from treasury bills.

8. Gains on disposal of equity investments

During 2012, the Group sold its entire holding in Azomures S.A. (as part of a takeover bid initiated by the main shareholder of this company) and in Comcereal Fundulea (on the open market), and part of the holdings in Erste Group Bank AG and Raiffeisen Bank International AG. In 2012, the gain on disposal of these equity investments was RON 13,079,333 representing the difference between the proceeds from disposals (RON 208,134,752) and the carrying values of the equity investments as at disposal date (RON 195,055,419). In 2011, the gain on disposal of the equity investments was RON 8,799,778, representing the difference between the proceeds from disposals (RON 13,375,649) and the carrying values of the equity investments as at disposal date (RON 4,575,871).

9. Other operating income

	Year ended 31 December 2012	Year ended 31 December 2011
Income from penalties levied for late payment of dividends	2,524,216	12,141,634
Other operating income	1,425,632	45,724
	3,949,848	**12,187,358**

In 2012, other operating income included income of RON 1,270,628 (2011: nil), derived from cancellation of the rights of shareholders to collect 2006 and 2007 dividends.

10. Other operating expenses

	Year ended 31 December 2012	Year ended 31 December 2011
Investment management and administration fee	34,325,088	32,149,759
National Securities Commission fee	14,113,438	15,594,192
Depositary fee	1,675,454	1,634,254
Third party services	7,639,449	3,495,314
Other operating expenses	1,159,780	1,369,782
	58,913,209	**54,243,301**

Third party services increase was mainly due to the higher level of litigation assistance expenses generated by the increase of the number of litigations in which the Fund is involved.

11. Income tax expense

	Year ended 31 December 2012	Year ended 31 December 2011
Current tax expense		
Current tax (16%)	-	1.752.665
Dividend withholding tax	4.687.167	3.367.831
Prior year income tax adjustment	(23.214)	-
	4.663.953	**5.120.496**
Deferred tax expense		
Impairment losses on equity investments	(122.810.506)	(4.823.350)
Provisions for restructuring	9.524	36.203
Used tax losses	(522.252)	138.871
	(123.323.234)	**(4.648.276)**
Total tax (benefit) /expense	**(118.659.281)**	**472.220**

The effective tax rate used to calculate the deferred tax position of the Group for the years ended 31 December 2012 and 31 December 2011 was 16% (standard tax rate).

	Year ended 31 December 2012	Year ended 31 December 2011
Reconciliation of effective tax rate		
Profit for the year	365.473.344	1.072.302.769
Income tax expense	(118.659.281)	472.220
Profit excluding income tax	**246.814.063**	**1.072.774.989**
Income tax using the standard tax rate (16%)	**39.490.250**	**171.643.998**
Effect of:		
Lower tax rate on dividend income	(38.152.397)	(47.054.342)
Presentation of share of profit in associates, net of income tax, in Fund's financial statements	(126.969.613)	(120.937.357)
Profit appropriation to legal reserve	-	(274.797)
Other non-taxable income	(833.771)	(4.840.721)
Non-deductible expenses (provisions)	-	1.872.938
Other non-deductible expenses	7.626.954	26.298
Austrian dividend withholding tax non deductible from fiscal point of view	202.510	-
Prior year profit tax adjustment	(23.214)	-
Provisions for restructing	-	36.203
Total tax (benefit) /expense	**(118.659.281)**	**472.220**

	Year ended 31 December 2012	Year ended 31 December 2011
Income tax recognised directly in equity:		
On equity investments carried at fair value	(12,832,841)	(53,386,398)
	(12,832,841)	**(53,386,398)**

12. Cash and current accounts

	31 December 2012	31 December 2011
Petty cash	2,391	135
Current accounts with banks	1,855,237	1,912,673
	1,857,628	**1,912,808**

The current accounts held with banks are not pledged as collateral for liabilities.

13. Deposits with banks

	31 December 2012	31 December 2011
Bank deposits with original maturities of less than three months	316,028,343	295,480,344
Interest accrued on bank deposits	1,281,109	876,457
	317,309,452	**296,356,801**

None of the deposits held with banks is pledged as collateral for liabilities.

14. Treasury bills

In 2012 and 2011, the Fund acquired discounted treasury bills denominated in RON.

	31 December 2012	31 December 2011
Treasury bills with original maturities of less than three months	100,354,399	19,783,015
Treasury bills with original maturities of more than three months and less than one year	354,378,458	176,136,658
	454,732,857	**195,919,673**

15. Dividends receivables

	31 December 2012	31 December 2011
Dividends receivable		
Hidroelectrica S.A.	46,209,651	52,478,623
Other dividends receivable	1,446,159	646,840
	47,655,810	**53,125,463**
Impairment loss allowance		
Hidroelectrica S.A.	(46,209,651)	-
Other dividends receivable	(646,165)	(646,165)
	(46,855,816)	**(646,165)**
	799,994	**52,479,298**

In 2012, the Fund recorded impairment adjustments for doubtful dividends receivable in Hidroelectrica S.A. of RON 46,209,651, following the opening of the insolvency procedure for this company in June 2012.

16. Receivables in respect of equity contributions

The receivable in respect of equity contributions is the difference between the amount due from the Ministry of Public Finance following the cancellation of the contribution corresponding to the holding in Electromecanica Ploiesti S.A. (after the decision of the High Court of Cassation and Justice, which irrevocably rejected in May 2011 the request of the Fund to be registered as a shareholder of this company), amounting to RON 21,436,245 , and the cash and equity received from the Ministry of Public Finance, not converted into share capital, amounting to RON 16,646,011, as follows:

- cash representing amounts recovered from the forced execution of World Trade Center SA in 2010, for a total amount of RON 9,395,641;
- shares contributed in kind by the Romanian state following the increase of the share capital of Plafar SA in 2010, for an amount of RON 334,740;
- shares contributed in kind by the Romanian state following the increase of the share capital of Hidroelectrica S.A. in 2011, for an amount of RON 1,704,560;
- shares contributed in kind by the Romanian state following the increase of the share capital of Hidroelectrica S.A. in 2012, for an amount of RON 5,211,070.

During 2012, the Fund recorded a reversal of impairment, for RON 5,211,070, following the recording of the above-mentioned contributions in kind by the Romanian State. The Fund recorded in 2011 an impairment adjustment for the receivable in respect of equity contributions in amount of RON 10,001,304.

17. Equity investments

In accordance with Law 247/2005, as amended by Government Emergency Ordinance no.209/2005, the Fund received, at its establishment on 28 December 2005, shares in 117 companies as contribution in kind from the Romanian State, as sole shareholder.

In June 2007, Government Emergency Ordinance no. 81/2007 for the acceleration of the procedure for granting compensations for the property abusively nationalised (“GEO 81/2007”) came into force, in accordance with which:

- 32 new shareholdings were added to the Fund’s portfolio as contribution in kind to its share capital (21 shareholdings in companies already in the portfolio and 11 shareholdings in companies not previously in the portfolio);
- 39 shareholdings were removed from the Fund’s portfolio and transferred back to the Romanian state.

The valuation of the shares contributed by the Romanian state in December 2005 and June 2007 was performed in October 2007 by an independent evaluator (Finevex S.R.L. Constanta), who followed the valuation methodology set forth by Law 247/2005. The value of the shareholdings, as determined by the evaluator, represents the cost of the equity investments.

Equity investments are available-for-sale financial assets and are carried at fair value, except for the investments whose fair value cannot be reliably measured, which are carried at cost less impairment.

Fair values at 31 December 2012 and 31 December 2011 were determined by reference to published bid price quotations on the stock exchange where shares are traded, where applicable. Equity investments quoted on the Bucharest Stock Exchange which are not actively traded, and unquoted securities, are carried at cost less impairment.

17. Equity investments (continued)

At 31 December 2012 and 31 December 2011, for equity investments carried at cost, no fair values could be determined using valuation techniques as the range of reasonable fair value estimates was significant and the probabilities of the various estimates could not be reasonably assessed.

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

	Equity investments at fair value	Equity investments at cost	Total equity investments
31 December 2010	**1,030,293,330**	**6,015,235,159**	**7,045,528,489**
Shares contributions in kind by State	-	1,704,560	**1,704,560**
Acquisitions	770,804,696	-	**770,804,696**
Disposals	(2,394,730)	(2,181,140)	**(4,575,870)**
Write-offs	-	(21,436,245)	**(21,436,245)**
Impairment loss	-	(51,691,805)	**(51,691,805)**
Reversal of impairment loss on disposals	-	21,545,871	**21,545,871**
Changes in fair value	(333,664,982)	-	**(333,664,982)**
31 December 2011	**1,465,038,314**	**5,963,176,400**	**7,428,214,714**
Shares contributions in kind by the State	**-**	5,211,070	**5,211,070**
Cash contributions to portfolio companies share capital increase	-	2,539,839	**2,539,839**
Acquisitions	62,217	-	**62,217**
Disposals	(194,884,889)	(170,529)	**(195,055,418)**
Impairment loss	-	(772,364,379)	**(772,364,379)**
Reversal of impairment loss on disposals	4,785,736	12,979	**4,798,715**
Changes in fair value	(80,205,252)	-	**(80,205,252)**
31 December 2012	**1,194,796,126**	**5,198,405,380**	**6,393,201,506**

During 2012, the Fund sold its entire holdings in Azomures SA and Comcereal Fundulea SA and part of the holdings in Erste Group Bank AG and Raiffeisen Bank International AG.

The Fund received 521,107 shares in Hidroelectrica SA accounted for as contributions in kind to the share capital of the Fund, whose nominal value (of 10 RON/share) was set off against the receivable related to the unpaid share capital of the Fund. These shares were received following the application of the provisions of Law no. 247/2005. The source of the increases in share capital is the land for which the company obtained title deeds.

In 2012, the Fund took part in the cash share capital increase of GDF Suez Energy Romania.

17. Equity investments (continued)

During 2012, the following mergers between companies in the Fund's portfolio were registered with the Trade Register:

- On 31 January 2012 the merger of Primcom SA, Delfincom SA and Prestari Servicii SA was completed. This merger was approved in November 2011 by the General Shareholders Meetings of the three companies, with Primcom SA as absorbing company, and Delfincom SA and Prestari Servicii SA as absorbed companies. Following the merger, the Fund holds 75.48% in Primcom SA, while Delfincom SA and Prestari Servicii have been removed from the Trade Register.
- In May 2012, the merger of Complexul Energetic Turceni SA, Complexul Energetic Craiova SA, Complexul Energetic Rovinari SA and Societatea Nationala a Lignitului Oltenia SA to create the new company Complexul Energetic Oltenia SA was completed. The merger was approved by the General Shareholders Meeting of these companies on 30 April 2012 and was recorded with the Trade Register in May 2012. Fondul Proprietatea holds 21.54% in the new company.

In June 2012, Plafar was removed from the insolvency procedure initiated in 2009, at the request of the company's Board of Directors. This resolution was registered with the Trade Register on 26 September 2012.

Impairment losses

On 20 June 2012, the Court admitted the request filed by Hidroelectrica SA for opening its insolvency procedure which is still in progress as at the date of these financial statements. As at 31 December 2012, the Fund recorded an additional impairment loss of RON 768,521,999 for the holding in Hidroelectrica, up to a cumulated impairment adjustment of RON 1,017,245,726, based on the value of this holding assessed by an independent valuer (KPMG), using valuation methods in accordance with International Valuation Standards (fair value principles). Consequently, the carrying value of the equity investment in Hidroelectrica as at 31 December 2012 is RON 2,001,000,000 (31 December 2011: RON 2,764,310,929).

As at 31 December 2012, the Fund recorded also an impairment adjustment of RON 3,842,380 for the holding in Posta Romana, based on the value of this holding assessed by an independent valuer (KPMG), using valuation methods in accordance with International Valuation Standards (fair value principles). Consequently, the carrying value of the equity investment in Posta Romana as at 31 December 2012 is RON 80,822,000 (31 December 2011: RON 84,664,380).

17. Equity investments (continued)

The structure of the Fund's portfolio was the following:

	31 December 2012	31 December 2011
Equity investments at fair value		
Transgaz S.A.	384,687,160	394,127,877
BRD - Groupe Societe Generale S.A.	205,892,268	271,899,654
Alro Slatina S.A.	145,769,428	236,875,321
Transelectrica S.A.	125,570,240	172,176,689
Raiffeisen Bank International AG	118,905,477	94,094,574
Conpet S.A.	92,958,315	89,949,706
Erste Group Bank AG	42,242,729	72,055,218
Other	78,770,508	133,859,275
	1,194,796,125	**1,465,038,314**
Equity investments at cost		
Hidroelectrica S.A.	2,001,000,000	2,764,310,929
Complexul Energetic Oltenia S.A.	670,084,812	670,084,812
Nuclearelectrica S.A.	581,846,011	581,846,011
Romgaz S.A.	416,301,444	416,301,444
Electrica Distributie Muntenia NORD SA	165,223,950	165,223,950
Enel Distributie Banat S.A.	141,578,929	141,578,929
CN Aeroporturi Bucuresti SA	131,168,262	131,168,262
E.ON Moldova Distributie S.A.	131,073,011	131,073,011
Electrica Distributie Transilvania SUD SA	125,918,628	125,918,628
Electrica Distributie Transilvania NORD SA	115,755,059	115,755,059
Electrica Distributie Dobrogea SA	114,760,052	114,760,052
Enel Distributie Muntenia S.A.	107,277,263	107,277,263
Posta Romana S.A.	80,822,000	84,664,380
Other	415,595,960	413,213,670
	5,198,405,381	**5,963,176,400**
Total equity investments	**6,393,201,506**	**7,428,214,714**

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

Fair value hierarchy

The table below analyses equity investments carried at fair value, by valuation method.

17. Equity investments (continued)

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2012:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	1,194,796,126	-	-	1,194,796,126
Treasury bills	454,732,857	-	-	454,732,857
	1,649,528,983	**-**	**-**	**1,649,528,983**

At 31 December 2011:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	1,465,038,314	-	-	1,465,038,314
Treasury bills	195,919,673	-	-	195,919,673
	1,660,957,987	**-**	**-**	**1,660,957,987**

As at 31 December 2012, the equity investments classified as available for sale included equity investments valued at cost less impairment in amount of RON 5,198,405,381 (31 December 2011: RON 5,963,176,400).

18. Investment in associate

In accordance with G.E.O. 81/2007, the Fund received from the Romanian State shareholdings granting significant influence over OMV Petrom SA. The summary of the financial information for this associate is as follows:

	2012	2011
Ownership	20%	20%
Total assets	38,144,620,000	36,488,440,000
Total liabilities	14,739,280,000	15,411,830,000
Revenues	26,374,700,000	23,051,870,000
Expenses	22,428,600,000	19,293,250,000
Profit	3,946,100,000	3,758,620,000

In 2012, the Group's share of profit in its associate for the year was RON 793,560,710 (2011: RON 755,858,482) and its share of income and expense recognised directly in the equity of the associate was net income of RON 26,157,077 (2011: net expense of RON 27,826,207). At 31 December 2012, investments in associates represented RON 4,706,829,818 (31 December 2011: 4,238,522,215).

18. Investment in associate (continued)

The movements in the investment in associate are presented in the below table:

31 December 2011	**4,238,522,215**
Share of net profit in associates	793,560,710
Share of income and expense recognised directly in the equity of associates (net of income tax)	26,157,077
Share of dividends declared by associate	(353,125,036)
Share of changes in minority interest and other elements	1,714,852
31 December 2012	**4,706,829,818**

The fair value of the shares held in OMV Petrom S.A. was RON 4,876,542,833 as at 31 December 2012 (31 December 2011: RON 3,303,427,754).

19. Deferred tax assets

	31 December 2012	31 December 2011
Temporary differences deductible (taxable)		
Impairment losses on equity investments	1,585,558,809	817,993,147
Changes in fair values of equity investments	(154,679,643)	(234,884,897)
Fiscal loss carried forward	3,264,077	-
Provisions	-	59,525
	1,434,143,243	**583,167,775**
Deferred tax assets at 16%	**229,462,919**	**93,306,844**
Total deferred tax assets	**229,462,919**	**93,306,844**

The effective tax rate used to calculate the deferred tax position of the Fund as at 31 December 2012 and as at 31 December 2011 was 16% (standard tax rate).

20. Other liabilities

	31 December 2012	31 December 2011
Dividends payable	9,481,720	12,238,494
Investment management and administration fees	8,862,463	27,179,316
CNVM commission	1,230,482	1,200,075
Tax on dividends	-	1,134,222
Provisions	-	59,523
Other liabilities	1,489,514	454,664
	21,064,179	**42,266,294**

20. Other liabilities (continued)

In April 2012, the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03854 per share, payable to shareholders with effect from 29 June 2012, which represented the distributable profits of 2011. As at 31 December 2012, shareholders had collected 99% of this dividend.

In April 2011, the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03141 per share, payable to shareholders with effect from 30 June 2011, which represented the distributable profits of 2010. As at 31 December 2012, shareholders had collected 99% of this dividend.

The commission due to National Securities Commission ("CNVM") arose following the Fund's registration with this authority in August 2010.

21. Shareholders' equity

(a) Share capital

As of 31 December 2012, the authorised and issued share capital comprised 13,778,392,208 ordinary shares at a nominal value of RON 1 per share out of which 365,612,042 shares were unpaid.

Unpaid share capital represents the net value of certain contributions due from the Romanian State represented by the Ministry of Public Finance, as shareholder, to the Fund that were recorded in previous years as paid capital (based on Law 247/2005), during 2012 some of the paid capital being transferred to the unpaid share capital.

Holders of unpaid shares were not entitled to vote or to receive dividends.

At 31 December 2011, the authorised and issued share capital comprised 13,778,392,208 ordinary shares at a nominal value of RON 1 per share out of which 370,823,112 shares were unpaid.

By 31 December 2012, the State's share in Fund's issued capital was 2.68% (31 December 2011: 2.66%) out of which only 0.022% was paid.

The movements in share capital components are presented below:

	Share capital paid in	Share capital not paid in	Total share capital
31 December 2010	**13,778,392,208**	**-**	**13,778,392,208**
Share capital reclassified as unpaid	(382,258,053)	382,258,053	-
Unpaid share capital compensated by State contributions	11,434,941	(11,434,941)	-
31 December 2011	**13,407,569,096**	**370,823,112**	**13,778,392,208**
Unpaid share capital compensated by State contributions	5,211,070	(5,211,070)	-
31 December 2012	**13,412,780,166**	**365,612,042**	**13,778,392,208**

(b) Fair value reserves on available-for-sale financial assets

The fair value reserves of RON 129,930,898 at 31 December 2012 (31 December 2011: RON 197,303,309) comprise the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

21. Shareholders' equity (continued)

(c) Other reserves

	31 December 2012	31 December 2011
Legal reserve	158,151,475	129,803,203
Other reserves	120,299,557	120,299,556
	278,451,032	**250,102,759**

As required by the Romanian law, a minimum 5% of the statutory profit for the year must be transferred to the legal reserve.

Such annual transfers must be discontinued when the legal reserve equals 20% of the issued share capital. The legal reserve cannot be used for distributions to shareholders.

The statutory financial statements have been prepared in accordance with the National Securities Commission ("CNVM") Regulation no. 4/2011 regarding accounting regulations compliant with Economic European Commission Directive IV, applicable to the entities authorised, regulated and monitored by CNVM, approved by CNVM Order no. 13/2011.

In 2012, the Fund transferred to the legal reserves an amount of RON 28,348,272 representing 5% of the 2012 statutory gross profit of RON 566,965,437 (in 2011: RON 27,278,894 representing 5% of the 2011 statutory gross profit of RON 545,577,881).

(d) Treasury shares

The Fund's General Shareholders Meeting in September 2010 approved a 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 cost of RON 120,268,583.

At the General Shareholders Meeting on April 2012, the shareholders approved to cancel the treasury shares and to reduce the share capital, but the registration of the shareholders' decision with Trade Register was blocked at the request of one shareholder.

The same shareholders meeting approved a second buyback programme: subject to availability of cash, the Fund Manager was authorised to repurchase a maximum number of 1.1 billion shares within the next 18 months within the price range of RON 0.2 per share to RON 1.5 per share to be cancelled upon completion of the buyback programme. The publication of this decision in the Official Gazette and, consequently, the beginning of the buyback programme, were also postponed by the litigations opened by one shareholder. On 5 March 2013, the Court announced that it has rejected the litigant's request of intervention and admitted the Fund's registration request at Trade Register and in April 2013, the Fund started the second buyback programme.

(e) Dividends

The distribution of a gross dividend of RON 0.03854 per share, in relation to 2011 statutory profits was approved at the Fund's General Shareholders Meeting in April 2012.

During 2011 the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03141 per share, in relation to 2010 statutory profits.

22. Contingencies

As at 31 December 2012 the Fund was involved in certain litigations, either as defendant or as 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. During 2012 there was a court litigation involving the Fund and Nuclearelectrica.

In this file the Fund has sued Nuclearelectrica and the Ministry of Economy and Commerce (now the Ministry of Economy, Trade and Business Environment) and asked the court to record the transfer in the Nuclearelectrica's shareholders register of a total of 20,077,953 shares from the Ministry portfolio to the Fund portfolio in order to update the initial stake of the Fund in Nuclearelectrica, taking into account the share capital increases that took place between 1 February 2006 and 13 November 2007. The litigation was solved at the first stage by the Bucharest Court with the Court ruling against the Fund. The Fund has appealed the decision of the Court and the Bucharest Court of Appeal ruled against the Fund. The Fund filed the second appeal asking High Court of Cassation and Justice to issue the final and irrevocable decision. On 1 November 2012, the High Court of Cassation and Justice irrevocable ruled against the Fund and decided that the Fund has no right to receive additional shares issued by Nuclearelectrica.

On August 2011 for safety reasons, given that the decision issued by the first court in this case is enforceable, the Fund has blocked a total of 340,796,918 shares, in amount of RON 340,796,918 computed based on the valuation report issued in October 2007 by an independent evaluator (Finevex S.R.L. Constanta) for the shares presumed to be owned by the Fund in Nuclearelectrica. The Fund considered that in fact the Ministry of Public Finance has not contributed to the share capital of the Fund with this amount. As a result of the irrevocable decision issued by High Court of Cassation and Justice the Fund will propose the shareholders measures in order to solve the issue of unpaid share capital.

As at 31 December 2012 the Fund owned 9.72% of the share capital of the Nuclearelectrica, as recorded at the Trade Register Office.

2. 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 now irrevocable. Based on legal opinions received, management notes that:

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new versions were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM and the 23 November 2012 GSM;
- new resolutions passed during the 25 April 2012 GSM and 23 November 2012 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).

22. Contingencies (continued)

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.

Other contingencies of the Fund included:

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

   - the amount resulted from the trading on the Romanian or foreign stock exchange markets of the first 3% of Romtelecom SA shares;
   - 20% of the amounts resulting from the privatization of Romtelecom SA;
   - 9.9% of the amounts resulting from the privatisation of C.E.C. SA.

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

2 The receivables from World Trade Center Bucharest SA:

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

Until December 2012, the Fund recovered from World Trade Center Bucharest SA USD 510,131, EUR 148,701, RON 8,724,888.

Currently, World Trade Center Bucharest SA is the object of insolvency procedure, the next hearing being set for 26 June 2013.

Given the uncertainties regarding their recoverability, the World Trade Center Bucharest SA related receivables will be recognised in the Fund's financial statements on receipt basis.

23. Group entities

Subsidiaries

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

	31 December 2012	31 December 2011
Ownership interest		
Alcom S.A. Timisoara	72%	72%
Carom - Broker de Asigurare S.A. Bucuresti	70%	70%
Comsig S.A. Sighisoara	70%	70%
Delfincom S.A. Bucuresti*	-	66%
Prestari Servicii S.A. Bucuresti*	-	71%
Primcom S.A. Bucuresti *	75%	79%
Telerom Proiect S.A. Bucuresti	69%	69%
Zirom S.A. Giurgiu	100%	100%
Romplumb S.A. Baia Mare**	33%	51%

** In January 2012, the merger of Primcom SA, Delfincom SA and Prestari Servicii SA, with Primcom SA as absorbing company and Delfincom SA and Prestari Servicii SA as absorbed companies was completed.*

***During 2012, the Fund's holding in Romplumb SA decreased below the control threshold following the share capital increase of Romplumb in which the Fund did not take part*

The total assets, liabilities, revenues and expenses for subsidiaries are presented in the table below:

	Total assets	Total liabilities	Revenues	Expenses*	Net Profit / (Loss)
2012					
Alcom S.A. Timisoara	11,741,803	2,177,553	3,150,278	2,862,859	87,890
Carom - Broker de Asigurare S.A. Bucuresti	1,441,024	46,040	1,009,211	1,129,341	(120,130)
Comsig S.A. Sighisoara	2,336,349	7,515	138,513	303,450	(167,345)
Primcom S.A. Bucuresti **	39,556,411	2,215,605	1,891,859	5,035,827	(3,143,968)
Telerom Proiect S.A. Bucuresti	367,613	544,005	1,010,254	1,264,779	(254,525)
Zirom S.A. Giurgiu	55,666,876	3,806,073	10,391,904	15,347,505	(4,955,601)
	111,110,076	**8,796,791**	**17,592,019**	**25,943,761**	**(8,553,679)**

** Excluding tax on profit expenses*
*** In January 2012, the merger of Primcom SA, Delfincom SA and Prestari Servicii SA, with Primcom SA as absorbing company and Delfincom SA and Prestari Servicii SA as absorbed companies was completed.*

23. Group entities (continued)

	Total assets	Total liabilities	Revenues	Expenses	Net Profit / (Loss)
2011					
Alcom S.A. Timisoara	12,107,800	2,631,320	2,527,571	2,328,524	153,848
Carom - Broker de Asigurare S.A. Bucuresti	1,575,086	59,972	1,201,786	1,162,946	29,129
Comsig S.A. Sighisoara	2,503,366	7,187	147,054	129,864	13,506
Delfincom S.A. Bucuresti	7,481,652	1,563,841	2,800,666	3,451,828	(651,162)
Prestari Servicii S.A. Bucuresti	1,117,042	315,563	1,944,519	782,312	1,162,207
Primcom S.A. Bucuresti	28,846,961	508,003	2,861,637	2,574,009	64,236
Romplumb S.A. Baia Mare	58,541,811	43,562,318	46,317,132	49,859,536	(3,555,684)
Telerom Proiect S.A. Bucuresti	667,841	577,909	1,483,292	1,477,625	5,667
Zirom S.A. Giurgiu	54,561,617	1,744,066	9,060,050	13,967,549	(4,907,499)
	167,403,176	**50,970,179**	**68,343,707**	**75,734,193**	**(7,685,752)**

24. Related parties

Key management

	Year ended 31 December 2012	Year ended 31 December 2011
Salaries		
Members of the Board of Nominees	523,507	535,500

There were no loans to or other transactions between the Fund and the members of the Board of Nominees in 2012 or in 2011.

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 as follows:

Transactions	Year ended 31 December 2012	Year ended 31 December 2011
Investment management fee	27,159,099	25,437,909
Administration fee	7,165,989	6,711,849
Rental expense	105,276	98,569
Operating cost	28,188	25,364
	34,458,552	**32,273,692**

During 2012 the Fund recorded also an amount of RON 1,012,597 representing expenses incurred by the Fund Manager on its behalf (2011: RON 1,141,266). These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominee approval.

As at 31 December 2012, the Fund owed an amount of RON 9,146,226 to the Fund Manager (31 December 2011: RON 27,401,373).

25. Subsequent events

Addendum no 2 to the Investment Management Agreement

On 23 January 2013, CNVM issued Decision no. 48/22.01.2013, thereby refusing to endorse Addendum 2 to the Investment Management Agreement ("IMA"). This addendum was approved by shareholders on 4 April 2012 and establishes an additional fee equivalent to a fixed percentage of the value of the Excess Distribution as follows:

For Excess Distributions that are executed before 31 December 2012	1.5% of the Excess Distribution
For Excess Distributions that are executed in calendar year 2013	1.5% of the Excess Distribution
For Excess Distributions that are executed after calendar year 2013 and before termination of the IMA	1.0% of the Excess Distribution

According to CNVM Regulation 4/2010 any changes to the IMA must be endorsed by CNVM, and as a result the Fund asked for CNVM's endorsement in April 2012. In January 2013, CNVM communicated their decision with the following rationales:

- the structure of fees (fixed fee, performance fee) provided in the final offer document of FTIML submitted in the international tender for appointing the portfolio manager of the Fund should be maintained after the appointment;
- the fees provided in the Addendum 2 to the IMA were not set in accordance with the Regulation for organising the international tender for appointing the portfolio manager of the Fund;
- providing supplemental distribution through special dividend does not meet the objective proposed by FTIML in course the international tender for appointing the portfolio manager of the Fund.

An official complaint regarding this decision was submitted by FTIML to CNVM on 21 February 2013 but in April 2013, the appeal (complaint) submitted was rejected by CNVM.

On 27 May 2013 the Fund initiated a legal action against the Financial Supervisory Authority ("FSA"), as the successor of the CNVM, in order to obtain endorsement of the Addendum no. 2 to the Investment Management Agreement. The claim has been registered with the Bucharest Court of Appeal under docket number 3819/2/2013. The naming of FSA in the action was a necessary legal formality, as successor to CNVM, but the Fund Manager hopes to build a dialogue with the new FSA Commission which will reach a satisfactory resolution on this issue, without need for the court's intervention. It was necessary to begin this legal action at the present time in order to avoid the risk of the Fund losing legal rights through the lapsing of time, in case such a conclusion cannot be reached.

25 April GSM Decisions

The main decisions of the shareholders during the 25 April 2013 Extraordinary General Shareholders Meeting ("EGM") were the following:

- The extension until 31 December 2013 of the authorisation of FTIML UK Bucharest Branch to list the Fund on the Warsaw Stock Exchange;
- The ratification and approval of any and all of the other resolutions taken by the EGM during the period commencing on 6 September 2010 and ending on the day of this EGM;

25. Subsequent events (continued)

- The amendments of the Constitutive Act as follows:
  - Eliminate the current provision of the Constitutive Act which permits the revocation of the members of the Board of Nominees and the fund manager by a majority of at least 2/3 of the voting rights. The change would mean such decisions would only require a simple majority of shareholders voting to be effective;
  - Change (clarify) the provisions regarding the appointment of the fund manager: new wording to state that the fund manager will be appointed by the shareholders based on an international tender organised by the Board of Nominees;
  - Changes to the organisation of the General Shareholders Meeting for reappointing / initiating the tender for selection of the fund manager (the General Shareholders Meeting will be convened 6 months before the expiration of the current mandate);
  - Some changes in order to have a better communication between the Fund Manager and the Board of Nominees and to clarify the rules regarding the organisation of the General Meetings of the Shareholders and the meetings of Board of Nominees.

The main decisions of the shareholders during the 25 April 2013 Ordinary General Shareholders Meeting ("OGM"), were the following:

- Approval of the Annual Report of the Sole Administrator of the Fund, including the financial statements as at 31 December 2012 prepared in accordance with Romanian Accounting Regulations;
- Approval of the 2012 gross dividend of RON 0.04089 (registration date: 15 May 2013). Dividend payment will commence on 28 June 2013;
- The ratification and approval of any and all of the other resolutions taken by the OGM during the period commencing on 6 September 2010 and ending on the day of this OGM;
- The ratification and re-adoption of the appointment of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch as Sole Administrator and Fund Manager of SC Fondul Proprietatea SA.

Update regarding the Board of Nominees

On 19 April 2013, Mr Cristian Bușu resigned from his position of member of the Fund's Board of Nominees ("BON"). The resignation was communicated to the Fund on 22 April 2013, on which date it became effective. The Board of Nominees decided to appoint Mr Mark Henrz Gitenstein as interim member of the Board of Nominees (Decision no. 13/23 April 2013). The appointment became effective upon its registration with the Trade Registry, on 9 May 2013.

The mandates of two Board of Nominees members (Mr Sorin-Mihai Mîndruţescu and Mr Cristian Busu) were due to expire on 29 September 2013. On 25 April 2013, shareholders at the Ordinary General Shareholders Meeting elected Mr Mark Henry Gitenstein as a member of the Fund`s Board of Nominees and re-elected Mr Sorin-Mihai Mîndruţescu. Both of these mandates are for a three year period with effect from 30 September 2013.

25. Subsequent events (continued)

Update regarding litigations

Registration proceedings with the Trade Registry

Following the decision issued on 21 May 2013 by the Bucharest Court of Appeal in file no. 40330/3/2012 whereby the court irrevocably approved the deregistration of the mentions performed with the Trade Registry of the General Shareholders Meeting decisions no. 1, 2, 8 and 9 dated 6 September 2010, for the approval of, among others, the appointment of the FTIML Bucharest Branch, the Trade Registry announced that it has proceeded to such deregistration.

The updated Register reflects that the Fund's shareholders have ratified and reapproved the updated Constitutive Act and appointment of FTIML on several occasions since the September 2010 decisions in question. Moreover, FTIML was formally reappointed through OGM Resolution no. 26 of 23 November 2012.

As result, the deregistration has no effect on the corporate structure approved on 6 September 2010 and on the fact that FTIML Bucharest Branch is and will remain the Sole Director of the Fund.

Bucharest Court ruled in favour of the Fund in a case started by the same shareholder challenging the EGM Decision for modifying Constitutive Act approved in November 2010

In April 2013 the Bucharest Court announced that in file no. 7548/3/2011 (regarding the annulment request filed by the litigant against the EGM Resolution for modifying the Constitutive Act approved by shareholders on 29 November 2010) it ruled in favour of the Fund, rejecting the litigant's request. In reaching this decision, the Court rejected the litigant's claim that the annulment of certain shareholder resolutions approved in September 2010 should retrospectively affect the validity of shareholders' resolutions approved after this date.

The Fund started a case against the litigant shareholder asking the court to sanction the abuse

The litigant shareholder has started more than 80 legal actions in court against the Fund, many of them having as subject the blocking of the registration with the Trade Registry of the Fund's shareholders' resolutions. In addition, the litigant's behavior during court hearings of these files has resulted in exceptional delays and fines against the litigant.

In our opinion, these actions constituted an abuse of shareholder's rights and procedural rights, interfering in the normal functioning of the Fund and causing serious delays in the implementation of the decisions of the Fund's shareholders. Our opinion is supported by the Litigant's behaviour, the numerous courts fines, and by over 50 court decisions in favour of the Fund in these files to the end of April 2013.

In light of the financial damage to the Fund due to the late implementation of the second buyback programme, and based on the Litigant's behavior noted above, the Fund Manager has decided to file a claim on behalf of the Fund to pursue the litigant for the recovery of the above-mentioned damages and filed on 24 April 2013 a legal action in court against the Litigant, registered with the Bucharest Court under docket number 16425/3/2013.

25. Subsequent events (continued)

The change of the paid-up capital of the Fund

Since 15 May 2013, the paid-up capital of the Fund increased by RON 133,940 to RON 13,412,937,506, while its subscribed capital remained unchanged at RON 13,778,392,208. The increase in the paid-up capital reflects a reduction in the unpaid share capital held by the Romanian state due to the receipt by the Fund of shares in SNGN Romgaz S.A. Medias following a share capital increase by that company relating to the value of land for which SNGN Romgaz S.A. Medias obtained title deeds.

Disposal of part of the OMV Petrom holding

In May 2013 the Fund disposed of 632.48 million shares in OMV Petrom, accounting for approximately 1.1% of company's share capital. Following this transaction, the Fund's holding in OMV Petrom decreased below the significant influence threshold of 20%.

Starting of the second buy-back programme

As per the Extraordinary General Shareholders Meeting Resolution from 25 April 2012, published in the Official Gazette on 10 April 2013, the Fund started the second buyback programme on 12 April 2013. During this buyback programme, by 18 June 2013, the date when these financial statements were authorised, the Fund acquired 130,716,000 shares for a total acquisition cost of RON 85,786,000.

Annex 3

S.C. FONDUL PROPRIETATEA S.A.

SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2012

Prepared in accordance with International Financial Reporting Standards

Contents

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

INDEPENDENT AUDITOR'S REPORT

Report on the Separate Financial Statements

1. We have audited the accompanying separate financial statements of S.C. Fondul Proprietatea S.A. (the "Fund") which comprise the separate statement of financial position as of December 31, 2012, and the separate statement of comprehensive income, separate statement of changes in shareholder's equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

2 Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3 Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurances about the separate financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the separate financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of S.C. Fondul Proprietatea S.A. as at December 31, 2012, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of matter

7 We draw attention to Note 2 (a) to the separate financial statements which states that consolidated financial statements of Fondul Proprietatea prepared in accordance with International Financial Reporting Standards, as adopted by European Union have not yet been published. Notes 2 to the separate financial statements explain when consolidated financial statements will be published and the method of accounting and other disclosures related to unconsolidated subsidiaries respectively. Our opinion is not modified in respect of this matter.

8 We draw attention to the fact that during 2012 a number of major economies around the world have experienced strong volatility in the capital markets and severe restrictions in the credit markets. As a consequence of the market turmoil in capital and credit markets both globally and in Romania, notwithstanding any potential economic stabilization measures that may be put into place by the State, economic uncertainties arose surrounding the continual availability and cost of credit for the Fund's counterparties, future development of the markets 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 this report. Our opinion is not modified in respect of this matter.

9 As presented in Note 23 to the separate financial statements, we draw attention to the fact that as at December 31, 2012 the Fund has several unsettled litigations which are at different stages with the Romanian courts. The ultimate outcome and related impact of these cases cannot presently be determined with certainty. Our opinion is not modified in respect of this matter.

Other Matters

2. This report is made solely to the Fund's Sole Director, Board of Nominee and shareholders, as a body. Our audit work has been undertaken so that we might state to the Fund's Sole Director, Board of Nominee and shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Sole Director and shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

For signature, please refer to the original Romanian binding version.

Deloitte Audit S.R.L.
Bucharest, Romania
12 March 2013

STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2012
(all amounts are in RON unless otherwise stated)

	Note	**31 December 2012**	**31 December 2011**
Gross dividend income	*6*	623,658,450	522,433,185
Interest income	*7*	34,922,880	41,129,291
Reversal of impairment losses on dividends receivable		-	28,323,677
Reversal of impairment losses on disposed equity investments	*18*	4,798,715	21,545,871
Reversal of impairment losses / (impairment losses) on receivables in respect of equity contributions	*17*	5,211,070	(10,001,304)
Impairment losses on dividends receivable	*16*	(46,209,651)	-
Impairment losses on other receivables		(878,300)	-
Impairment losses on equity investments	*18*	(772,364,379)	(51,691,805)
Gains on disposal of equity investments	*8*	13,079,333	8,799,778
Net foreign exchange gain /(loss)	*9*	(217,729)	700,842
Other operating income	*10*	3,949,848	12,187,358
Net operating (loss)/ income		**(134,049,763)**	**573,426,893**
Personnel expenses		(658,639)	(644,081)
Other operating expenses	*11*	(58,913,209)	(54,243,301)
Operating expenses		**(59,571,848)**	**(54,887,382)**
Profit /(loss) before income tax		**(193,621,611)**	**518,539,511**
Income tax (expense)/ benefit	*12*	118,659,281	(472,220)
Profit/ (loss) for the period		**(74,962,330)**	**518,067,291**
Other comprehensive income			
Net change in fair value of available-for-sale equity investments	*18*	1,492,909,826	(846,265,840)
Income tax expense on other comprehensive income	*12*	(238,865,572)	135,402,535
Total other comprehensive income		**1,254,044,254**	**(710,863,305)**
Total comprehensive income for the period		**1,179,081,924**	**(192,796,014)**
Basic and diluted earnings per share		**(0.0054)**	**0.0376**

The financial statements were authorised for issue on 12 March 2013 by:

Grzegorz Maciej Konieczny
as Legal Representative on behalf of
Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch
acting in the capacity of Sole Director of S.C. Fondul Proprietatea S.A.

The notes on pages 123 to 157 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012
(all amounts are in RON unless otherwise stated)

	Note	**31 December 2012**	**31 December 2011**
Assets			
Cash and current accounts	*13*	1,857,628	1,912,808
Deposits with banks	*14*	317,309,452	296,356,801
Treasury bills	*15*	454,732,857	195,919,673
Dividends receivable	*16*	799,994	52,479,298
Equity investments	*18*	11,269,744,338	10,731,642,468
Deferred tax assets	*19*	363,487,628	479,029,966
Other assets	*20*	2,189,053	2,558,644
Total assets		**12,410,120,950**	**11,759,899,658**
Liabilities			
Other liabilities	*21*	21,064,179	42,266,294
Total liabilities		**21,064,179**	**42,266,294**
Equity			
Share capital	*22*	13,778,392,208	13,778,392,208
Fair value reserve on available-for-sale financial assets	*22*	2,494,319,443	1,240,275,189
Other reserves	*22*	278,451,031	250,102,759
Treasury shares	*22*	(120,268,583)	(120,268,583)
Accumulated losses		(4,041,837,328)	(3,430,868,209)
Total equity		**12,389,056,771**	**11,717,633,364**
Total liabilities and equity		**12,410,120,950**	**11,759,899,658**

The notes on pages 123 to 157 are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Treasury shares	Accumulated losses	Total attributable to the equity holders of the Fund
Balance at 31 December 2010	**13,778,392,208**	**1,951,138,494**	**222,823,865**	**-**	**(3,488,927,558)**	**12,463,427,009**
Comprehensive income for the period						
Profit for the period	-	-	-	-	518,067,291	**518,067,291**
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	(846,265,840)	-	-	-	**(846,265,840)**
Income tax on income and expense recognised directly in equity	-	135,402,535	-	-	-	**135,402,535**
Total other comprehensive income	**-**	**(710,863,305)**	**-**	**-**	**-**	**(710,863,305)**
Total comprehensive income for the period	**-**	**(710,863,305)**	**-**	**-**	**518,067,291**	**(192,796,014)**
Transactions with owners, recorded directly in equity						
Transfer to other reseves	-	-	27,278,894		(27,278,894)	-
Buybacks	-	-	-	(120,268,583)	-	(120,268,583)
Dividends declared	-	-	-	-	(432,729,048)	(432,729,048)
Total transactions with owners recorded directly in equity	**-**	**-**	**27,278,894**	**(120,268,583)**	**(460,007,942)**	**(552,997,631)**
Balance at 31 December 2011	**13,778,392,208**	**1,240,275,189**	**250,102,759**	**(120,268,583)**	**(3,430,868,209)**	**11,717,633,364**

The notes on pages 123 to 157 are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Treasury shares	Accumulated losses	Total attributable to the equity holders of the Fund
Balance at 31 December 2011	**13,778,392,208**	**1,240,275,189**	**250,102,759**	**(120,268,583)**	**(3,430,868,209)**	**11,717,633,364**
Comprehensive income for the period						
Loss for the period	-	-	-	-	(74,962,330)	**(74,962,330)**
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	1,492,909,826	-	-	-	**1,492,909,826**
Income tax on income and expense recognised directly in equity	-	(238,865,572)	-	-	-	**(238,865,572)**
Total other comprehensive income	**-**	**1,254,044,254**	**-**	**-**	**-**	**1,254,044,254**
Total comprehensive income for the period	**-**	**1,254,044,254**	**-**	**-**	**(74,962,330)**	**1,179,081,924**
Transactions with owners, recorded directly in equity						
Transfer to other reseves	-	-	28,348,272	-	(28,348,272)	-
Dividends declared	-	-	-	-	(507,658,517)	(507,658,517)
Total transactions with owners recorded directly in equity	**-**	**-**	**28,348,272**	**-**	**(536,006,789)**	**(507,658,517)**
Balance at 31 December 2012	**13,778,392,208**	**2,494,319,443**	**278,451,031**	**(120,268,583)**	**(4,041,837,328)**	**12,389,056,771**

The notes on pages 123 to 157 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012
(all amounts are in RON unless otherwise stated)

	Year ended 31 December 2012	Year ended 31 December 2011
Cash flows from operating activities		
Proceeds from sale of equity instruments	207,870,803	13,375,649
Acquisition of treasury bills, net	(254,624,873)	52,838,373
Interest received	30,329,419	46,014,449
Dividends received (net of withholding tax)	625,371,215	497,369,612
Realised foreign exchange loss on cash and cash equivalents	(200,367)	(303,030)
Collection of bank deposits maturing in more than 3 months, net	-	378,486,499
Interest received in relation with the dividends late payments	1,756,213	12,488,059
Subscriptions to share capital increase of portfolio companies	(2,539,840)	-
Other receipts	158,362	135,339
Income tax paid	(121,794)	(1,109,707)
Salaries and related taxes paid	(686,412)	(894,909)
Suppliers and other taxes and fees paid	(76,280,760)	(52,345,240)
Acquisition of equity investments	(62,217)	(769,842,368)
Net cash flows from operating activities	**530,969,749**	**176,212,726**
Cash flows from financing activities		
Dividends paid (including related taxes)	(510,476,930)	(452,037,883)
Acquisition of treasury shares	-	(120,268,583)
Net cash flows used in financing activities	**(510,476,930)**	**(572,306,466)**
Net increase in cash and cash equivalents	**20,492,819**	**(396,093,740)**
Cash and cash equivalents at the beginning of the period	297,393,152	693,486,892
Cash and cash equivalents at the end of the period	**317,885,971**	**297,393,152**

	31 December 2012	31 December 2011
Cash	1,857,628	1,912,808
Bank deposits with original maturities of less than three months	316,028,343	295,480,344
	317,885,971	**297,393,152**

The notes on pages 123 to 157 are an integral part of these financial statements.

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 amended ("Law 247/2005") and Government Decision no. 1481/2005 and registered in Bucharest on 28 December 2005. The address of the Fund's registered office is 78 - 80, Buzeşti 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").

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") 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".

2. Basis of preparation

(a) Statement of compliance

These separate financial statements for year ended 31 December 2012 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. According with the requirements of the legislation in force the Fund will prepare and publish at a later date the consolidated financial statements of the group.

(b) Basis of measurement

The separate financial statements have been prepared on the historical cost basis except for equity investments that are quoted on an active market and treasury bills, 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.

2. Basis of preparation (continued)

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 4 – Financial risk management;
- Note 11 – Other operating expenses;
- Note 18 – Valuation of equity investments;
- Note 19 – Recognition of deferred tax assets;
- Note 21 – Other liabilities;
- Note 23 – Contingencies.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Subsidiaries and associates

Subsidiaries are entities controlled by the Fund. Control exists when the Fund has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account, when applicable.

Associates are those entities in which the Fund has significant influence, but not control or joint control, over the financial and operating policies. The existence of significant influence is determined by analysing the ownership structure of the companies in which the Fund holds 20 % or more of the voting power of the investee, their articles of incorporation and the Fund's power to participate in the financial and operating policy decisions of the investee.

The Fund does not exercise significant influence in a number of companies in which it holds between 20 and 50 % of the voting power, where the Fund's rights as minority shareholder are protective in nature, and not participative and where the major shareholder, or a group of shareholders holding majority ownership of the investee, operates without regard to the views of the Fund.

The lists of subsidiaries and associates at 31 December 2012 are disclosed in note 24 (b) and (c).

In these separate financial statements, investments in subsidiaries and associates are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement, as available-for-sale financial assets (see accounting policy 3 (c) below).

(b) Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Fund at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

3. Significant accounting policies (continued)

(b) Foreign currency (continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

The exchange rates of the main foreign currencies published by the National Bank of Romania at 31 December 2012 were as follows: 4.4287 RON/EUR and 3.3575 RON/USD (31 December 2011: 4.3197 RON/EUR and 3.3393 RON/USD).

(c) Financial assets and liabilities

(i) Recognition

The Fund recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value plus any directly attributable transaction costs, except for the investments in equity securities whose fair value cannot be reliably measured, which are recognised initially at cost.

The cost of equity investments which are contributed in kind by the Romanian State to the Fund's share capital is determined in accordance with the provisions of Law 247/2005, as amended by Government Emergency Ordinance ("GEO") 81/2007, as follows:

- for the shares received at the Fund's establishment in December 2005, the cost is equal:
  - either to the weighted average price of the last 90 trading days, provided that the last of the 90 trading days is not more than 60 days prior to 24 November 2005, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
  - or to the book value of the shareholders' equity at 31 December 2004, according to the statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the shares received in June 2007, the cost is equal:
  - either to the weighted average price of the last 90 trading days prior to 29 June 2007, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
  - or to the book value of the shareholders' equity at 31 December 2006, determined in accordance with statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the additional shares received in companies owned by the Romanian State and to which the State has made contributions in kind, which are received by the Fund so as not to dilute its shareholding in such companies, the cost for the Fund is determined at the par value of the shares received.

Mergers of portfolio companies are recognised at the date when the merger is registered at the Trade Register.

The bonus shares received by the Fund from portfolio companies that increased their share capital through incorporation of reserves are not recognized.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(ii) Classification

See accounting policies 3(d), (e), (f) and (g).

(iii) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

Gains or losses arising from derecognition of a financial asset are calculated based on proceeds on disposal of financial assets and assets historical cost / initial valuation and are recorded in the Income Statement.

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

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Fund measures the fair value of an instrument using quoted prices in an active market for that instrument at the reporting date. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for an equity security is not active, the Fund tries to establish fair value using a valuation technique.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets are measured at a bid price and liabilities are measured at an asking price.

(vii) Identification and measurement of impairment

At each reporting date, the Fund assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against the financial assets. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on equity investments carried at fair value are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If, in a subsequent period, the fair value of an impaired equity investment increases, the recovery is recognised directly in equity.

Impairment losses on equity investments carried at cost (where their fair value cannot be reliably measured) are measured as the difference between the carrying amount and an estimate of present value of future cash flows, determined using generally accepted valuation techniques.

Losses are recognised in profit or loss and are not reversed.

In determining that equity investments are impaired, the Fund considers all relevant factors, such as significant or prolonged decline in fair value below cost, market and industry conditions, to the extent that they influence the recoverable amount of the investment, financial conditions and near-term prospects of the issuer, including any specific adverse events that may influence the issuer's operations, recent losses of the issuer, qualified independent auditor's report on the issuer's most recent financial statements etc.

(d) Cash and deposits with banks

Cash includes notes and coins on hand and current accounts held with banks.

Deposits with banks include deposits with original maturities of less than three months and deposits with original maturities of more than three months and less than one year.

Cash and deposits with banks are carried at amortised cost in the statement of financial position.

Deposits with banks with original maturities of less than three months are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

3. Significant accounting policies (continued)

(e) Held to maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Fund from classifying investment securities as held-to-maturity for the current and the following two financial years.

The Fund did not classify any investments as held-to-maturity as at 31 December 2012 and 31 December 2011.

(f) Available-for-sale financial assets

The Fund's investments in treasury bills and in equity securities are classified as available-for-sale financial assets. The inventory relief method used for the disposal of treasury bills and bonds is "first-in first-out" (FIFO) method.

(i) Equity investments carried at fair value

Subsequent to initial recognition, equity investments (other than those described at section (ii) below) are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity.

When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(ii) Equity investments carried at cost

Investments in equity securities that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured using a valuation technique, are measured at cost, subject to impairment testing.

(g) Other financial assets and liabilities

Other financial assets and liabilities are measured at amortised cost using the effective interest method, less any impairment losses (in case of financial assets).

(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Fund and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

3. Significant accounting policies (continued)

(h) Property and equipment (continued)

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative period are as follows:

- Leasehold improvements — 3 years
- IT equipment — 3 years
- Vehicles — 5 years
- Furniture and other equipment — 5-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(i) Impairment of non-financial assets

The carrying amounts of the Fund's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

(k) Provisions

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(l) Dividend income

Dividend income relating to listed equity investments is recognised in profit or loss on the ex-dividend date. Dividend distributions from unlisted equity investments are recognised in profit or loss as dividend income when declared.

3. Significant accounting policies (continued)

When the Fund receives or chooses to receive dividends in the form of additional shares rather than cash, the dividend income is recognised for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

When bonus shares are received with no cash alternative and only certain shareholders are granted additional shares, the shares received are measured at fair value and a corresponding amount of dividend income is recognised. However, if all shareholders receive bonus shares in proportion to their shareholdings, no dividend income is recognised as the fair value of the Fund's interest should be unaffected by the bonus issue.

The Fund recognises dividends from subsidiaries and associates as income in its separate financial statements when its right to receive the dividend is established.

For late dividend payments, the Fund initiates legal recovery measures (conciliation, litigations etc.). The Fund is entitled to charge penalties for overdue net dividends, applying the legal penalty interest rate according to the legislation in force. Penalty income on dividends is recognised in the financial year when collection is virtually certain.

Dividend income is presented gross of dividend withholding taxes, which are recognised as income taxes.

(m) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Interest income relates to current accounts, deposits held with banks and treasury bills.

(n) Income from sale of securities

Gains or losses from the disposal of the financial assets are recognised in profit or loss at the date of derecognising of the financial assets.

(o) Foreign currency gains and losses

Foreign currency gains and losses are reported on a net basis and include realised and unrealised foreign exchange differences.

(p) Expenses

All expenses are recognised in profit or loss on an accrual basis.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax includes also dividend withholding taxes.

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. Significant accounting policies (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends by the Fund are recognised at the same time as the liability to pay the related dividend is recognised.

The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

The applicable tax rates are 16% (standard tax rate and also, the dividend withholding tax).

(r) Employee benefits

(i) Pensions and other post-retirement benefits

The Fund, in the normal course of business, makes payments to the Romanian State on behalf of its employees. All employees of the Fund are members of the Romanian State pension plan.

The Fund does not operate any other pension scheme or postretirement benefit plan and, consequently, has no obligation in respect of pensions. In addition, the Fund is not obliged to provide further benefits to its employees.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Fund is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Fund has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(s) Treasury shares

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

3. Significant accounting policies (continued)

(t) Dividend payable

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

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

(u) Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the European Union ("EU") are effective for the current period:

- *Amendments to IFRS 7 "Financial Instruments: Disclosures"* - Transfers of Financial Assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

The adoption of these amendments to the existing standards has not led to any changes in the Fund's accounting policies.

(v) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- *IFRS 10 "Consolidated Financial Statements",* adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IFRS 11 "Joint Arrangements",* adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IFRS 12 "Disclosures of Interests in Other Entities",* adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IFRS 13 "Fair Value Measurement",* adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- *IAS 27 (revised in 2011) "Separate Financial Statements",* adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures",* adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *Amendments to IFRS 1 "First-time Adoption of IFRS"* - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IFRS 7 "Financial Instruments: Disclosures"* - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IAS 1 "Presentation of financial statements"* - Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- *Amendments to IAS 12 "Income Taxes"* - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IAS 19 "Employee Benefits"* - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),

3. Significant accounting policies (continued)

- *Amendments to IAS 32 "Financial instruments: presentation"* - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine",* adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The Fund anticipates that the adoption of these standards, revisions and interpretations, except for IFRS 13, will have no material impact on its financial statements in the period of initial application.

(w) Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at the date of authorisation of these financial statements:

- *IFRS 9 "Financial Instruments"* (effective for annual periods beginning on or after 1 January 2015),
- *Amendments to IFRS 1 "First-time Adoption of IFRS"* - Government Loans (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures"* – Mandatory Effective Date and Transition Disclosures,
- *Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"* - Transition Guidance (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements"* - Investment Entities (effective for annual periods beginning on or after 1 January 2014),
- *Amendments to various standards "Improvements to IFRSs (2012)"* resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2013).

The Fund anticipates that the adoption of these standards, amendments to the existing standards and interpretations, except for IFRS 9 and Amendments to IFRS 10, will have no material impact on its financial statements in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principals have not been adopted by the EU, is still unregulated.

According to the Fund's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

4. Financial risk management

The Fund's investment portfolio comprises listed and unlisted equity investments.

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The most important types of financial risks to which the Fund is exposed are market risk, credit risk and liquidity risk.

Starting from 29 September 2010 the Fund Manager implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

(a) Market risk

Market risk is the risk that changes in market prices and rates, such as equity prices, interest rates and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to its issuer or factors affecting all instruments traded in the market.

Equity price risk arises from changes in the value of available-for-sale equity securities and is the primary risk impacting the Fund. Diversification across securities and industries, to the possible extent given the unique investment mandate, is the primary technique for mitigating equity price risk. The Fund has concentrated exposure to the "Power utilities: generation", "Oil and gas", and "Power and gas utilities industries: transport and distribution" sectors.

The companies in which the Fund holds equity securities operate in different industries.

The Fund's exposure to industries was as follows:

	31 December 2012	31 December 2011
Oil and gas	5,393,677,236	3,818,537,878
Power utilities: generation	3,252,930,823	4,016,241,752
Power and gas utilities: transport, distribution, supply	1,579,714,678	1,633,222,004
Banks	437,936,339	484,034,158
Heavy industry	142,420,748	221,436,338
Infrastructure	205,006,057	205,006,057
Aluminium	145,769,428	236,875,321
Postal services	80,822,000	84,664,380
Others	31,467,029	31,624,580
	11,269,744,338	**10,731,642,468**

The Fund has equity investments of RON 6,071,338,958 at 31 December 2012 (31 December 2011: RON 4,768,466,068) which are listed on the Bucharest Stock Exchange (at either BSE or RASDAQ segment) or Vienna Stock Exchange.

4. Financial risk management (continued)

(a) Market risk (continued)

For such investments, a ten per cent increase in the BET-C, respectively ATX index at the reporting date would have increased equity by RON 562,205,438 after tax (2011: RON 422,823,955); an equal change in the opposite direction would have decreased equity by RON 562,205,438 after tax (2011: RON 422,823,955). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2011.

(ii) Interest rate risk

The Fund places cash into fixed rate bank deposits original maturities of more than one month and less than six months and into treasury bills.

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

Fixed rate instruments	31 December 2012	31 December 2011
Bank deposits with original maturities of less than three months	316,028,343	295,480,344
Bank deposits with original maturities of more than three months and less than one year	-	-
Treasury bills	454,732,857	195,919,673
	770,761,200	**491,400,017**

(iii) Currency risk

The Fund is exposed to currency risk on current accounts and deposits held with banks and receivables and payables that are denominated in foreign currencies, i.e. euro (EUR) and U.S. dollars (USD), but the balances were not significant during the reporting period.

The local currency depreciated compared to the EUR (from 4.3197 RON/EUR at 31 December 2011 to 4.4287 at 31 December 2012) and compared to the USD (from 3.3393 RON/EUR at 31 December 2011 to 3.3575 at 31 December 2012).

The Fund's exposure to currency risk was as follows:

	31 December 2012	31 December 2011
RON		
Monetary assets		
Petty cash	2,391	135
Current accounts with banks	1,852,096	1,878,993
Bank deposits with original maturities of less than three months	316,025,831	295,480,227
Interest accrued on bank deposits	1,281,109	876,457
Treasury bills	454,732,857	195,919,673
Dividends receivable	799,994	52,479,298
Other receivables	1,385,165	831,286
	776,079,443	**547,466,069**
Monetary liabilities		
Other liabilities	(20,841,591)	(42,206,771)
	(20,841,591)	**(42,206,771)**
	755,237,852	**505,259,298**

4. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

	31 December 2012	31 December 2011
EUR (in RON equivalent)		
Monetary assets		
Current accounts with banks	3,141	33,680
Bank deposits with original maturities of less than three months	2,512	117
Other receivables	803,888	1,727,358
	809,541	**1,761,155**
Monetary liabilities		
Other liabilities	(222,588)	-
	(222,588)	**-**
	586,953	**1,761,155**

A ten percent strengthening of the RON against the EUR as at 31 December would have decreased profit or loss by the amount shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2011.

Profit or loss	31 December 2012	31 December 2011
EUR	(58,695)	(176,116)

As at 31 December 2012, the Fund held equity investments denominated in Euro with a fair value of EUR 36,387,261 (RON 161,148,206 equivalent).

As at 31 December 2011, the Fund held equity investments denominated in Euro with a fair value of EUR 38,463,298 (RON 166,149,792 equivalent).

(b) Credit risk

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills and dividends receivable. The Fund's maximum exposure to credit risk from cash and deposits with banks was RON 319,164,689 at 31 December 2012 (31 December 2011: RON 298,269,474).

Cash and deposits are held with the following banks:

	31 December 2012	31 December 2011
Cash and deposits held with		
CITI Bank	88,855,134	8,010,500
B.C.R.	71,177,973	83,686,191
Raiffeisen Bank	52,025,192	10,030,556
Unicredit Tiriac Bank	40,212,147	71,193,790
RBS Bank	40,158,127	50,081,958
ING Bank	17,247,810	4,950,587
BRD - Groupe Societe Generale	9,488,306	69,976,602
C.E.C.	-	304,800
Bancpost	-	34,379
Marfin Bank	-	110
	319,164,689	**298,269,474**

4. Financial risk management (continued)

(b) Credit risk (continued)

(i) Cash and deposits with banks

Current accounts and deposits are held with banks in Romania.

The Fund Manager established a formal policy regarding bank counterparty risks and limits. The Fund only establishes new deposits with financial institutions where the institution or the institution's corporate parent, have a credit rating above investment grade (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

(ii) Treasury bills

The Fund's maximum exposure to credit risk from treasury bills was RON 454,732,857 as at 31 December 2012 (31 December 2011: RON 195,919,673).

As of 31 December 2012, the Fund held the following treasury bills with discount, denominated in RON:

ISIN	Value as at 31 December 2012	Settlement Date	No. of treasury bills units	Interest rate	Maturity date
RO1213CTN0I0	25,475,336	5-Sep-2012	2,600	6.00%	7-May-2013
RO1213CTN0I0	50,999,941	5-Sep-2012	5,207	6.11%	7-May-2013
RO1213CTN0K6	27,590,885	12-Sep-2012	2,819	5.99%	14-May-2013
RO1213CTN023	19,455,665	27-Sep-2012	1,950	5.55%	16-Jan-2013
RO1213CTN0G4	25,566,151	16-Aug-2012	2,603	5.91%	24-Apr-2013
RO1213CTN015	24,971,056	12-Jul-2012	2,500	5.35%	9-Jan-2013
RO1213CTN023	24,946,163	27-Jul-2012	2,500	5.30%	16-Jan-2013
RO1213CTN023	21,948,501	22-Aug-2012	2,200	5.75%	16-Jan-2013
RO1213CTN023	2,703,833	3-Oct-2012	271	5.55%	16-Jan-2013
RO1213CTN023	5,277,962	3-Oct-2012	529	5.55%	16-Jan-2013
RO1213CTN056	25,649,039	12-Jul-2012	2,581	5.39%	13-Feb-2013
RO1213CTN080	20,248,625	17-Oct-2012	2,050	5.80%	20-Mar-2013
RO1213CTN0M2	20,287,800	3-Oct-2012	2,059	5.91%	3-Apr-2013
RO1213CTN0P5	40,363,380	7-Nov-2012	4,245	6.08%	6-Nov-2013
RO1213CTN023	32,424,879	16-Nov-2012	3,250	5.60%	16-Jan-2013
RO1213CTN049	19,887,531	12-Nov-2012	2,000	5.70%	6-Feb-2013
RO1213CTN049	48,041,988	27-Dec-2012	4,833	6.00%	6-Feb-2013
RO1213CTN0R1	18,894,122	5-Dec-2012	2,000	6.28%	4-Dec-2013
Total	**454,732,857**				

(iii) Dividends receivable

The Fund's maximum exposure to credit risk from dividends receivable was RON 799,994 at 31 December 2012 (31 December 2011: RON 52,479,298).

4. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The following are the residual maturities of the Fund's financial assets and financial liabilities:

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2012				
Financial assets				
Cash and current accounts	1,857,628	-	-	-
Deposits with banks	317,309,452	-	-	-
Treasury bills	131,728,059	113,827,183	209,177,615	-
Dividends receivable	799,994	-	-	-
Equity investments	-	-	-	11,269,744,338
Other receivables	2,189,053	-	-	-
	453,884,186	**113,827,183**	**209,177,615**	**11,269,744,338**
Financial liabilities				
Other liabilities	21,064,179	-	-	-
	21,064,179	**-**	**-**	**-**

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2011				
Financial assets				
Cash and current accounts	1,912,808	-	-	-
Deposits with banks	240,304,320	56,052,481	-	-
Treasury bills	19,783,015	-	176,136,658	-
Dividends receivable	52,479,298		-	-
Equity investments	-	-	-	10,731,642,468
Other receivables	2,558,644	-	-	-
	317,038,085	**56,052,481**	**176,136,658**	**10,731,642,468**
Financial liabilities				
Other liabilities	42,206,771	-	-	-
	42,206,771	**-**	**-**	**-**

The Fund's equity investments include unlisted securities, which are not traded in a regulated market and generally may be considered be illiquid. As a result, the Fund may not be able to liquidate quickly some of its investments in these instruments in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the credit worthiness of any particular issuer.

The Fund's listed equity securities are listed on the Bucharest Stock Exchange or on the Vienna Stock Exchange. However, not all listed shares listed on Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions.

(d) Taxation risk

On 1 January 2007 Romania became a member of the European Union ("EU") and therefore has to apply detailed and complex rules on the basis of the EU Treaties, Regulations and Directives. The Fund has to conform to EU legislation from 1 January 2007 and, therefore, it has prepared to apply the changes arising from the EU legislation. These changes have been implemented, however the tax authorities have up to 5 years to audit the way these changes were implemented.

4. Financial risk management (continued)

(d) Taxation risk (continued)

Interpretation of the text and practical implementation procedures of the EU tax regulations could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Fund's treatment.

Furthermore, the Romanian Government has a number of agencies that are authorized to conduct audits (controls) of companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Fund will continue to be subject to regular controls as new laws and regulations are issued.

(e) Operating environment

The on-going global credit and liquidity crisis has resulted in, among other things, lower liquidity levels and difficult access to the capital markets and across the Romanian banking sector.

Continuing fear that a deterioration of financial conditions in Europe could contribute to a further retrenchment in investor confidence prompted coordinated efforts by governments and central banks to adopt special measures through 2012. These efforts helped to restore some degree of confidence in the market and have helped return the market to a more functional condition. However, political and economic turmoil in the emerging markets is expected to continue, and this can impact the value of the Romanian economy, and consequently the Fund's portfolio companies and its shares.

Management is unable to predict all developments which could have an impact on the Romanian financial sector and consequently what effect, if any, they could have on these financial statements.

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

(f) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations.

The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

(g) Capital management

Fund's policy is to maintain a strong capital base so as to maintain shareholders' confidence and to sustain future developments.

The Fund's capital (shareholders' equity) comprises share capital, fair value and other reserves and retained earnings. The shareholders' equity was RON 12,389,056,771 at 31 December 2012 (31 December 2011: RON 11,717,633,364).

The Fund was not subject to externally imposed capital requirements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
(all amounts are in RON unless otherwise stated)

5. 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:

31 December 2012	Loans and receivables	Held to maturity	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and current accounts	1,857,628	-	-	-	1,857,628	1,857,628
Deposits with banks	317,309,452	-	-	-	317,309,452	317,309,452
Treasury bills	-	-	454,732,857	-	454,732,857	454,732,857
Dividends receivable	799,994	-	-	-	799,994	799,994
Equity investments at fair value	-	-	6,071,338,958	-	6,071,338,958	6,071,338,958
Equity investments at cost	-	-	5,198,405,380	-	5,198,405,380	Not available
Other receivables	2,189,053	-	-	-	2,189,053	2,189,053
Other liabilities	-	-	-	(21,064,179)	(21,064,179)	(21,064,179)
	322,156,127	**-**	**11,724,477,195**	**(21,064,179)**	**12,025,569,143**	**Not available**

31 December 2011	Loans and receivables	Held to maturity	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and current accounts	1,912,808	-	-	-	1,912,808	1,912,808
Deposits with banks	296,356,801	-	-	-	296,356,801	296,356,801
Treasury bills	-	-	195,919,673	-	195,919,673	195,919,673
Dividends receivable	52,479,298	-	-	-	52,479,298	52,479,298
Equity investments at fair value	-	-	4,768,466,068	-	4,768,466,068	4,768,466,068
Equity investments at cost	-	-	5,963,176,400	-	5,963,176,400	Not available
Other receivables	2,558,644	-	-	-	2,558,644	2,558,644
Other liabilities	-	-	-	(42,206,771)	(42,206,771)	(42,206,771)
	353,307,551	**-**	**10,927,562,141**	**(42,206,771)**	**11,238,662,921**	**Not available**

5. Financial assets and financial liabilities (continued)

As at 31 December 2012 and 31 December 2011, management estimated that the dividends receivable for which no impairment losses were recognised would be collected within a short period of time and therefore their carrying amount approximated fair value.

Equity investments carried at cost do not have reliably measurable fair values.

6. Gross dividend income

	Year ended 31 December 2012	Year ended 31 December 2011
OMV Petrom SA	353,125,036	201,623,004
Romgaz SA	140,639,003	106,010,598
Transgaz SA	52,515,091	50,768,117
Alro SA	23,066,500	16,024,881
Transelectrica SA	10,884,733	1,147,845
CN Aeroporturi Bucuresti SA	9,415,274	9,932,510
Conpet SA	6,612,533	6,984,786
CN Administratia Porturilor Maritime SA	6,570,224	-
Complexul Energetic Rovinari SA	6,457,434	20,711
Raiffeisen Bank International AG	4,052,569	4,735,544
BRD - Group Societe General SA	4,237,166	2,427,206
Aeroportul Intl' Timisoara - Traian Vuia SA	1,687,638	1,536,108
Electrica Distributie Muntenia Nord SA	1,801,112	-
Hidroelectrica SA	-	52,478,623
ENEL Distributie Banat SA	-	20,161,712
Primcom SA	-	14,276,720
ENEL Distributie Dobrogea SA	-	13,529,334
Delfincom SA	-	5,633,501
Erste Group Bank AG	-	3,514,050
GDF Suez Energy SA	-	9,600,000
Others	2,594,137	2,027,935
	623,658,450	**522,433,185**

The dividend income was subject to 16% withholding tax for Romanian equity investments and 5% withholding tax for Austrian equity investments. In cases where the relevant shareholding was larger than 10% for at least two years prior to the dividend distribution, no withholding tax was due.

7. Interest income

Interest income amounting to RON 34,922,880 in 2012 (2011: RON 41,129,291) arose from deposits held with banks and from treasury bills.

8. Gains on disposal of equity investments

During 2012, the Fund sold its entire holding in Azomures SA (as part of a takeover bid initiated by the main shareholder of this company) and in Comcereal Fundulea (on the open market), and part of the holdings in Erste Group Bank AG and Raiffeisen Bank International AG. In 2012, the gain on disposal of these equity investments was RON 13,079,333 representing the difference between the proceeds from disposals (RON 208,134,752) and the carrying values of the equity investments as at disposal date (RON 195,055,419). In 2011, the gain on disposal of the equity investments was RON 8,799,778, representing the difference between the proceeds from disposals (RON 13,375,649) and the carrying values of the equity investments as at disposal date (RON 4,575,871).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
(all amounts are in RON unless otherwise stated)

9. Net foreign exchange gains / (losses)

	Year ended 31 December 2012	Year ended 31 December 2011
Realised foreign exchange gains / (losses)	(217,729)	700,842

10. Other operating income

	Year ended 31 December 2012	Year ended 31 December 2011
Income from penalties levied for late payment of dividends	2,524,216	12,141,634
Other operating income	1,425,632	45,724
	3,949,848	**12,187,358**

In 2012, other operating income included income of RON 1,270,628 (2011: nil), derived from cancellation of the rights of shareholders to collect 2006 and 2007 dividends.

11. Other operating expenses

	Year ended 31 December 2012	Year ended 31 December 2011
Investment management and administration fee	34,325,088	32,149,759
National Securities Commission fee	14,113,438	15,594,192
Depositary fee	1,675,454	1,634,254
Third party services	7,639,449	3,495,314
Other operating expenses	1,159,780	1,369,782
	58,913,209	**54,243,301**

Third party services increase was mainly due to the higher level of litigation assistance expenses generated by the increase of the number of litigations in which the Fund is involved.

12. Income tax expense

	Year ended 31 December 2012	Year ended 31 December 2011
Current tax expense		
Current tax (16%)	-	1,752,665
Dividend withholding tax	4,687,167	3,367,831
Prior year income tax adjustment	(23,214)	-
	4,663,953	**5,120,496**
Deferred tax expense		
Impairment losses on equity investments	(122,810,506)	(4,823,350)
Provisions for restructuring	9,524	36,203
Tax losses	(522,252)	138,871
	(123,323,234)	**(4,648,276)**
Total income tax expense	**(118,659,281)**	**472,220**

The effective tax rate used to calculate the deferred tax position of the Fund for the years ended 31 December 2012 and 31 December 2011 was 16% (standard tax rate).

	Year ended 31 December 2012	Year ended 31 December 2011
Reconciliation of effective tax rate		
Profit/ (loss) for the period	(74,962,330)	518,067,291
Income tax expense/(benefit)	(118,659,281)	472,220
Profit/(Loss) excluding income tax	**(193,621,611)**	**518,539,511**
Income tax using the standard tax rate (16%)	**(30,979,458)**	**82,966,322**
Effect of:		
Lower tax rate on dividend income	(94,652,303)	(79,314,023)
Profit appropriation to legal reserve	-	(274,797)
Other non-taxable income	(833,771)	(4,840,721)
Other non-deductible expenses	7,626,955	1,872,938
Austrian dividend withholding tax non deductible from fiscal point of view	202,510	26,298
Prior year profit tax adjustment	(23,214)	-
Provisions for restructing	-	36,203
Total income tax expense	**(118,659,281)**	**472,220**

	Year ended 31 December 2012	Year ended 31 December 2011
Income tax recognised directly in equity:		
On equity investments carried at fair value	238,865,572	(135,402,535)
	238,865,572	**(135,402,535)**

13. Cash and current accounts

	31 December 2012	31 December 2011
Petty cash	2,391	135
Current accounts with banks	1,855,237	1,912,673
	1,857,628	**1,912,808**

The current accounts held with banks are not pledged as collateral for liabilities.

14. Deposits with banks

	31 December 2012	31 December 2011
Bank deposits with original maturities of less than three months	316,028,343	295,480,344
Interest accrued on bank deposits	1,281,109	876,457
	317,309,452	**296,356,801**

None of the deposits held with banks is pledged as collateral for liabilities.

15. Treasury bills

In 2012 and 2011, the Fund acquired discounted treasury bills denominated in RON.

	31 December 2012	31 December 2011
Treasury bills with original maturities of less than three months	100,354,399	19,783,015
Treasury bills with original maturities of more than three months and less than one year	354,378,458	176,136,658
	454,732,857	**195,919,673**

16. Dividends receivables

	31 December 2012	31 December 2011
Dividends receivable		
Hidroelectrica S.A.	46,209,651	52,478,623
Other dividends receivable	1,446,159	646,840
	47,655,810	**53,125,463**
Impairment loss allowance		
Hidroelectrica S.A.	(46,209,651)	-
Other dividends receivable	(646,165)	(646,165)
	(46,855,816)	**(646,165)**
	799,994	**52,479,298**

In 2012, the Fund recorded impairment adjustments for doubtful dividends receivable in Hidroelectrica S.A. of RON 46,209,651, following the opening of the insolvency procedure for this company in June 2012.

17. Receivables in respect of equity contributions

The receivable in respect of equity contributions is the difference between the amount due from the Ministry of Public Finance following the cancellation of the contribution corresponding to the holding in Electromecanica Ploiesti S.A. (after the decision of the High Court of Cassation and Justice, which irrevocably rejected in May 2011 the request of the Fund to be registered as a shareholder of this company), amounting to RON 21,436,245 , and the cash and equity received from the Ministry of Public Finance, not converted into share capital, amounting to RON 16,646,011, as follows:

- cash representing amounts recovered from the forced execution of World Trade Center SA in 2010, for a total amount of RON 9,395,641;
- shares contributed in kind by the Romanian state following the increase of the share capital of Plafar SA in 2010, for an amount of RON 334,740;
- shares contributed in kind by the Romanian state following the increase of the share capital of Hidroelectrica S.A. in 2011, for an amount of RON 1,704,560;
- shares contributed in kind by the Romanian state following the increase of the share capital of Hidroelectrica S.A. in 2012, for an amount of RON 5,211,070.

During 2012, the Fund recorded a reversal of impairment, for RON 5,211,070, following the recording of the above-mentioned contributions in kind by the Romanian State. The Fund recorded in 2011 an impairment adjustment for the receivable in respect of equity contributions in amount of RON 10,001,304.

18. Equity investments

In accordance with Law 247/2005, as amended by Government Emergency Ordinance no.209/2005, the Fund received, at its establishment on 28 December 2005, shares in 117 companies as contribution in kind from the Romanian State, as sole shareholder.

In June 2007, Government Emergency Ordinance no. 81/2007 for the acceleration of the procedure for granting compensations for the property abusively nationalised ("GEO 81/2007") came into force, in accordance with which:

- 32 new shareholdings were added to the Fund's portfolio as contribution in kind to its share capital (21 shareholdings in companies already in the portfolio and 11 shareholdings in companies not previously in the portfolio);
- 39 shareholdings were removed from the Fund's portfolio and transferred back to the Romanian state.

The valuation of the shares contributed by the Romanian state in December 2005 and June 2007 was performed in October 2007 by an independent evaluator (Finevex S.R.L. Constanta), who followed the valuation methodology set forth by Law 247/2005. The value of the shareholdings, as determined by the evaluator, represents the cost of the equity investments.

Equity investments are available-for-sale financial assets and are carried at fair value, except for the investments whose fair value cannot be reliably measured, which are carried at cost less impairment.

Fair values at 31 December 2012 and 31 December 2011 were determined by reference to published bid price quotations on the stock exchange where shares are traded, where applicable. Equity investments quoted on the Bucharest Stock Exchange which are not actively traded, and unquoted securities, are carried at cost less impairment.

18. Equity investments (continued)

At 31 December 2012 and 31 December 2011, for equity investments carried at cost, no fair values could be determined using valuation techniques as the range of reasonable fair value estimates was significant and the probabilities of the various estimates could not be reasonably assessed.

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

	Equity investments at fair value	Equity investments at cost	Total equity investments
31 December 2010	**4,846,321,942**	**6,015,235,159**	**10,861,557,101**
Shares contributions in kind by State	-	1,704,560	**1,704,560**
Acquisitions	770,804,696	-	**770,804,696**
Disposals	(2,394,730)	(2,181,140)	**(4,575,870)**
Write-offs	-	(21,436,245)	**(21,436,245)**
Impairment loss	-	(51,691,805)	**(51,691,805)**
Reversal of impairment loss on disposals	-	21,545,871	**21,545,871**
Changes in fair value	(846,265,840)	-	**(846,265,840)**
31 December 2011	**4,768,466,068**	**5,963,176,400**	**10,731,642,468**

	Equity investments at fair value	Equity investments at cost	Total equity investments
31 December 2011	**4,768,466,068**	**5,963,176,400**	**10,731,642,468**
Shares contributions in kind by State	-	5,211,070	**5,211,070**
Subscriptions to share capital increase of portfolio companies	-	2,539,840	**2,539,840**
Acquisitions	62,217	-	**62,217**
Disposals	(194,884,889)	(170,530)	**(195,055,419)**
Impairment loss	-	(772,364,379)	**(772,364,379)**
Reversal of impairment loss on disposals	4,785,736	12,979	**4,798,715**
Changes in fair value	1,492,909,826	-	**1,492,909,826**
31 December 2012	**6,071,338,958**	**5,198,405,380**	**11,269,744,338**

During 2012, the Fund sold its entire holdings in Azomures SA and Comcereal Fundulea SA and part of the holdings in Erste Group Bank AG and Raiffeisen Bank International AG.

The Fund received 521,107 shares in Hidroelectrica SA accounted for as contributions in kind to the share capital of the Fund, whose nominal value (of 10 RON/share) was set off against the receivable related to the unpaid share capital of the Fund. These shares were received following the application of the provisions of Law no. 247/2005. The source of the increases in share capital is the land for which the company obtained title deeds.

In 2012, the Fund took part in the cash share capital increase of GDF Suez Energy Romania.

18. Equity investments (continued)

During 2012, the following mergers between companies in the Fund's portfolio were registered with the Trade Register:

- On 31 January 2012 the merger of Primcom SA, Delfincom SA and Prestari Servicii SA was completed. This merger was approved in November 2011 by the General Shareholders Meetings of the three companies, with Primcom SA as absorbing company, and Delfincom SA and Prestari Servicii SA as absorbed companies. Following the merger, the Fund holds 75.48% in Primcom SA, while Delfincom SA and Prestari Servicii have been removed from the Trade Register.
- In May 2012, the merger of Complexul Energetic Turceni SA, Complexul Energetic Craiova SA, Complexul Energetic Rovinari SA and Societatea Nationala a Lignitului Oltenia SA to create the new company Complexul Energetic Oltenia SA was completed. The merger was approved by the General Shareholders Meeting of these companies on 30 April 2012 and was recorded with the Trade Register in May 2012. Fondul Proprietatea holds 21.54% in the new company.

In June 2012, Plafar was removed from the insolvency procedure initiated in 2009, at the request of the company's Board of Directors. This resolution was registered with the Trade Register on 26 September 2012.

Impairment losses

On 20 June 2012, the Court admitted the request filed by Hidroelectrica SA for opening its insolvency procedure which is still in progress as at the date of these financial statements. As at 31 December 2012, the Fund recorded an additional impairment loss of RON 768,521,999 for the holding in Hidroelectrica, up to a cumulated impairment adjustment of RON 1,017,245,726, based on the value of this holding assessed by an independent valuer (KPMG), using valuation methods in accordance with International Valuation Standards (fair value principles). Consequently, the carrying value of the equity investment in Hidroelectrica as at 31 December 2012 is RON 2,001,000,000 (31 December 2011: RON 2,764,310,929).

As at 31 December 2012, the Fund recorded also an impairment adjustment of RON 3,842,380 for the holding in Posta Romana, based on the value of this holding assessed by an independent valuer (KPMG), using valuation methods in accordance with International Valuation Standards (fair value principles). Consequently, the carrying value of the equity investment in Posta Romana as at 31 December 2012 is RON 80,822,000 (31 December 2011: RON 84,664,380).

The structure of the Fund's portfolio was the following:

18. Equity investments (continued)

	31 December 2012	31 December 2011
Equity investments at fair value		
OMV Petrom S.A.	4,876,542,833	3,303,427,754
Transgaz S.A.	384,687,160	394,127,877
BRD - Groupe Societe Generale S.A.	205,892,268	271,899,654
Alro Slatina S.A.	145,769,428	236,875,321
Transelectrica S.A.	125,570,240	172,176,689
Raiffeisen Bank International AG	118,905,477	94,094,574
Conpet S.A.	92,958,315	89,949,706
Erste Group Bank AG	42,242,729	72,055,218
Other	78,770,507	133,859,275
	6,071,338,958	**4,768,466,068**
Equity investments at cost		
Hidroelectrica S.A.	2,001,000,000	2,764,310,929
Complexul Energetic Oltenia S.A.*	670,084,812	-
Nuclearelectrica S.A.	581,846,011	581,846,011
Romgaz S.A.	416,301,444	416,301,444
Electrica Distributie Muntenia Nord S.A.	165,223,950	165,223,950
Enel Distributie Banat S.A.	141,578,929	141,578,929
CN Aeroporturi Bucuresti SA	131,168,262	131,168,262
E.ON Moldova Distributie S.A.	131,073,011	131,073,011
Electrica Distributie Transilvania Sud S.A.	125,918,628	125,918,628
Electrica Distributie Transilvania Nord S.A.	115,755,059	115,755,059
Enel Distributie Dobrogea S.A.	114,760,052	114,760,052
Enel Distributie Muntenia S.A.	107,277,263	107,277,263
Posta Romana S.A.	80,822,000	84,664,380
Complexul Energetic Turceni S.A.*	-	282,299,927
Complexul Energetic Craiova S.A.*	-	250,169,153
Complexul Energetic Rovinari S.A.*	-	137,615,732
Other	415,595,959	413,213,670
	5,198,405,380	**5,963,176,400**
Total equity investments	**11,269,744,338**	**10,731,642,468**

**Complexul Energetic Oltenia S.A. resulted from the merger of S.C. Complexul Energetic Turceni S.A., S.C. Complexul Energetic Craiova S.A., S.C. Complexul Energetic Rovinari S.A.and Societatea Nationala a Lignitului Oltenia S.A.*

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

Fair value hierarchy

The table below analyses equity investments carried at fair value, by valuation method.

18. Equity investments (continued)

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2012:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	6,071,338,958	-	-	6,071,338,958
Treasury bills	454,732,857	-	-	454,732,857
	6,526,071,815	**-**	**-**	**6,526,071,815**

At 31 December 2011:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	4,768,466,068	-	-	4,768,466,068
Treasury bills	195,919,673	-	-	195,919,673
	4,964,385,741	**-**	**-**	**4,964,385,741**

19. Deferred tax assets

	31 December 2012	31 December 2011
Temporary differences deductible (taxable)		
Impairment losses on equity investments	5,237,961,506	4,470,395,844
Changes in fair values of equity investments	(2,969,427,906)	(1,476,518,081)
Fiscal loss carried forward	3,264,075	-
Provisions	-	59,525
	2,271,797,675	**2,993,937,288**
Deferred tax assets at 16%	**363,487,628**	**479,029,966**
Total deferred tax assets	**363,487,628**	**479,029,966**

The effective tax rate used to calculate the deferred tax position of the Fund as at 31 December 2012 and as at 31 December 2011 was 16% (standard tax rate).

20. Other assets

	31 December 2012	31 December 2011
Dividend withholding tax to be recovered from Austrian tax authorities	803,888	1,727,358
Income tax to be recovered from the State Budget	436,920	291,912
Interest receivable in relation with the dividends late payments	360,107	470,404
Prepaid expenses	27,199	28,412
Other assets	560,939	40,558
	2,189,053	**2,558,644**

21. Other liabilities

	31 December 2012	31 December 2011
Dividends payable	9,481,720	12,238,494
Investment Management and Administration fees	8,862,463	27,179,316
CNVM commission	1,230,482	1,200,075
Tax on dividends	-	1,134,222
Provisions	-	59,523
Other liabilities	1,489,514	454,664
	21,064,179	**42,266,294**

In April 2012, the Fund’s General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03854 per share, payable to shareholders with effect from 29 June 2012, which represented the distributable profits of 2011. As at 31 December 2012, shareholders had collected 99% of this dividend.

In April 2011, the Fund’s General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03141 per share, payable to shareholders with effect from 30 June 2011, which represented the distributable profits of 2010. As at 31 December 2012, shareholders had collected 99% of this dividend.

The commission due to National Securities Commission (“CNVM”) arose following the Fund’s registration with this authority in August 2010.

22. Shareholders' equity

(a) Share capital

As of 31 December 2012, the authorised and issued share capital comprised 13,778,392,208 ordinary shares at a nominal value of RON 1 per share out of which 365,612,042 shares were unpaid.

Unpaid share capital represents the net value of certain contributions due from the Romanian State represented by the Ministry of Public Finance, as shareholder, to the Fund that were recorded in previous years as paid capital (based on Law 247/2005), during 2012 some of the paid capital being transferred to the unpaid share capital.

Holders of unpaid shares were not entitled to vote or to receive dividends.

At 31 December 2011, the authorised and issued share capital comprised 13,778,392,208 ordinary shares at a nominal value of RON 1 per share out of which 370,823,112 shares were unpaid.

By 31 December 2012, the State's share in Fund's issued capital was 2.68% (31 December 2011: 2.66%) out of which only 0.022% was paid.

The movements in share capital components are presented below:

	Share capital paid in	Share capital not paid in	Total share capital
31 December 2010	**13,778,392,208**	**-**	**13,778,392,208**
Shares contributed in kind by the State	(382,258,053)	382,258,053	-
Cash contributions	11,434,941	(11,434,941)	-
31 December 2011	**13,407,569,096**	**370,823,112**	**13,778,392,208**
Unpaid share capital compensated by State contributions	5,211,070	(5,211,070)	-
31 December 2012	**13,412,780,166**	**365,612,042**	**13,778,392,208**

(b) Fair value reserves on available-for-sale financial assets

The fair value reserves of RON 2,494,319,443 at 31 December 2012 (31 December 2011: RON 1,240,275,189) comprise the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

(c) Other reserves

	31 December 2012	31 December 2011
Legal reserve	158,151,474	129,803,203
Other reserves	120,299,557	120,299,556
	278,451,031	**250,102,759**

As required by the Romanian law, a minimum 5% of the statutory profit for the year must be transferred to the legal reserve. Such annual transfers must be discontinued when the reserve equals 20% of the issued share capital. The legal reserve cannot be used for distributions to shareholders.

In 2012, the Fund transferred to the legal reserves an amount of RON 28,348,272 representing 5% of the 2012 statutory gross profit (in 2011: RON 27,278,894).

22. Shareholders' equity (continued)

(d) Treasury shares

The Fund's General Shareholders Meeting in September 2010 approved a 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 cost of RON 120,268,583.

At the General Shareholders Meeting on April 2012, the shareholders approved to cancel the treasury shares and to reduce the share capital, but the registration of the shareholders' decision with Trade Register was blocked at the request of one shareholder.

The same shareholders meeting approved a second buyback programme: subject to availability of cash, the Fund Manager was authorised to repurchase a maximum number of 1.1 billion shares within the next 18 months within the price range of RON 0.2 per share to RON 1.5 per share to be cancelled upon completion of the buyback programme. The publication of this decision in the Official Gazette and, consequently, the beginning of the buyback programme, were also postponed by the litigations opened by one shareholder.

(e) Dividends

The distribution of a gross dividend of RON 0.03854 per share, in relation to 2011 statutory profits was approved at the Fund's General Shareholders Meeting in April 2012.

During 2011 the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03141 per share, in relation to 2010 statutory profits.

23. Contingencies

As at 31 December 2012 the Fund was involved in certain litigations, either as defendant or as 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. During 2012 there was a court litigation involving the Fund and Nuclearelectrica.

In this file the Fund has sued Nuclearelectrica and the Ministry of Economy and Commerce (now the Ministry of Economy, Trade and Business Environment) and asked the court to record the transfer in the Nuclearelectrica's shareholders register of a total of 20,077,953 shares from the Ministry portfolio to the Fund portfolio in order to update the initial stake of the Fund in Nuclearelectrica, taking into account the share capital increases that took place between 1 February 2006 and 13 November 2007. The litigation was solved at the first stage by the Bucharest Court with the Court ruling against the Fund. The Fund has appealed the decision of the Court and the Bucharest Court of Appeal ruled against the Fund. The Fund filed the second appeal asking High Court of Cassation and Justice to issue the final and irrevocable decision. On 1 November 2012, the High Court of Cassation and Justice irrevocable ruled against the Fund and decided that the Fund has no right to receive additional shares issued by Nuclearelectrica.

On August 2011 for safety reasons, given that the decision issued by the first court in this case is enforceable, the Fund has blocked a total of 340,796,918 shares, in amount of RON 340,796,918 computed based on the valuation report issued in October 2007 by an independent evaluator (Finevex S.R.L. Constanta) for the shares presumed to be owned by the Fund in Nuclearelectrica. The Fund considered that in fact the Ministry of Public Finance has not contributed to the share capital of the Fund with this amount. As a result of the irrevocable decision issued by High Court of Cassation and Justice the Fund will propose the shareholders measures in order to solve the issue of unpaid share capital.

As at 31 December 2012 the Fund owned 9.72% of the share capital of the Nuclearelectrica, as recorded at the Trade Register Office.

2. 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 now irrevocable. Based on legal opinions received, management notes that:

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new versions were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM and the 23 November 2012 GSM;
- new resolutions passed during the 25 April 2012 GSM and 23 November 2012 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).

23. Contingencies (continued)

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.

Other contingencies of the Fund included:

1. The Fund is due to receive the following amounts from the Romanian State:
   - the amount resulted from the trading on the Romanian or foreign stock exchange markets of the first 3% of Romtelecom SA shares;
   - 20% of the amounts resulting from the privatization of Romtelecom SA;
   - 9.9% of the amounts resulting from the privatisation of C.E.C. SA.

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

2 The receivables from World Trade Center Bucharest SA:

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

Until December 2012, the Fund recovered from World Trade Center Bucharest SA USD 510,131, EUR 148,701, RON 8,724,888.

Currently, World Trade Center Bucharest SA is the object of insolvency procedure, the next hearing being set for 26 June 2013.

Given the uncertainties regarding their recoverability, the World Trade Center Bucharest SA receivables were recognised on receipt basis in the Fund's financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
(all amounts are in RON unless otherwise stated)

24. Related parties

(a) Key management

	Year ended 31 December 2012	Year ended 31 December 2011
Salaries		
Members of the Board of Nominees	523,507	535,500

There were no loans to or other transactions between the Fund and the members of the Board of Nominees in 2012 or in 2011.

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 as follows:

Transactions	Year ended 31 December 2012	Year ended 31 December 2011
Investment management fee	27,159,099	25,437,909
Administration fee	7,165,989	6,711,849
Rental expense	105,276	98,569
Operating cost	28,188	25,364
	34,458,552	**32,273,692**

During 2012 the Fund recorded also an amount of RON 1,012,597 representing expenses incurred by the Fund Manager on its behalf (2011: RON 1,141,266). These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominee approval.

As at 31 December 2012, the Fund owed an amount of RON 9,146,226 to the Fund Manager (31 December 2011: RON 27,401,373).

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

	31 December 2012	31 December 2011
Ownership interest		
Alcom S.A. Timisoara	72%	72%
Carom - Broker de Asigurare S.A. Bucuresti	70%	70%
Comsig S.A. Sighisoara	70%	70%
Delfincom S.A. Bucuresti*	-	66%
Prestari Servicii S.A. Bucuresti*	-	71%
Primcom S.A. Bucuresti *	75%	79%
Telerom Proiect S.A. Bucuresti	69%	69%
Zirom S.A. Giurgiu	100%	100%
Romplumb S.A. Baia Mare**	33%	51%

** In January 2012, the merger of Primcom SA, Delfincom SA and Prestari Servicii SA, with Primcom SA as absorbing company and Delfincom SA and Prestari Servicii SA as absorbed companies was completed.*

***During 2012, the Fund's holding in Romplumb SA decreased below the control threshold following the share capital increase of Romplumb in which the Fund did not take part*

24. Related parties (continued)

(b) Subsidiaries

	Year ended 31 December 2012	Year ended 31 December 2011
Gross dividend income		
Primcom S.A. Bucuresti	-	14,276,720
Delfincom S.A. Bucuresti	-	5,633,501
	-	**19,910,221**
Other income		
Carom - Broker de Asigurare S.A. Bucuresti	-	55,130

Dividends received	Year ended 31 December 2012	Year ended 31 December 2011
Primcom S.A. Bucuresti	-	14,276,720
Delfincom S.A. Bucuresti	-	5,633,501
Carom - Broker de Asigurare S.A. Bucuresti	-	177,553
	-	**20,087,774**

	31 December 2012	31 December 2011
Dividends receivable		
Carom - Broker de Asigurare S.A. Bucuresti	10,158	10,832
	10,158	**10,832**
Impairment loss allowance		
Carom - Broker de Asigurare S.A. Bucuresti	(10,158)	(10,158)
	(10,158)	**(10,158)**
	-	**674**

(c) Associates

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

	31 December 2012	31 December 2011
Ownership interest		
OVM Petrom S.A.	20%	20%

During 2012, the Fund recorded and received from OMV Petrom S.A. a dividend of RON 353,125,036 (31 December 2011: RON 201,623,004).

25. Subsequent events

Addendum no 2 to the Investment Management Agreement

On 23 January 2013, CNVM issued Decision no. 48/22.01.2013, thereby refusing to endorse Addendum 2 to the Investment Management Agreement ("IMA"). This addendum was approved by shareholders on 4 April 2012 and establishes an additional fee equivalent to a fixed percentage of the value of the Excess Distribution as follows:

For Excess Distributions that are executed before 31 December 2012	1.5% of the Excess Distribution
For Excess Distributions that are executed in calendar year 2013	1.5% of the Excess Distribution
For Excess Distributions that are executed after calendar year 2013 and before termination of the IMA	1.0% of the Excess Distribution

25. Subsequent events (continued)

According to CNVM Regulation 4/2010 any changes to the IMA must be endorsed by CNVM, and as a result the Fund asked for CNVM's endorsement in April 2012. Nine months later, CNVM communicated their decision with the following rationales:

- the structure of fees (fixed fee, performance fee) provided in the final offer document of FTIML submitted in the international tender for appointing the portfolio manager of the Fund should be maintained after the appointment;
- the fees provided in the Addendum 2 to the IMA were not set in accordance with the Regulation for organising the international tender for appointing the portfolio manager of the Fund;
- providing supplemental distribution through special dividend does not meet the objective proposed by FTIML in course the international tender for appointing the portfolio manager of the Fund.

Given that the IMA and subsequent addendums are approved by the Fund's shareholders and concluded between the Fund and the Fund Manager, the Fund Manager will carefully consider further steps that may be appropriate and will update investors of any further material developments.

Annex 4

STATEMENT OF PERSONS RESPONSIBLE

Provisions of Art.30 of Accounting Law no. 82/1991 and
CNVM Regulations no. 1/2006, Art.112[1], par. 1, letter c

The annual financial statements as at 31 December 2012 prepared for:

Entity: S.C. Fondul Proprietatea S.A.
Address: Bucharest, District 1, 78–80, Buzeşti Street, 7th Floor
Trade Registry Number: J40/21901/28.12.2005
Form of property: 22 (joint ownership with public capital under 50%, domestic and foreign public and private capital companies)
CAEN code and name: 6430 "Trusts, funds and similar financial entities"
Sole Registration Code: 18253260

The undersigned, Grzegorz Maciej Konieczny, Legal representative, and Mihaela Moleavin, Financial reporting manager with Franklin Templeton Investment Management Ltd. United Kingdom, Bucharest Branch, as sole administrator of S.C. Fondul Proprietatea S.A, undertake the responsibility for the preparation of the annual financial statements on 31 December 2012 and confirm that:

a) The accounting policies used for the preparation of the annual financial statements are in compliance with the applicable accounting regulations;

b) The annual financial statements give a true and fair view of the financial position and performance and of other information regarding the conducted business.

c) The company is conducting its business on the going concern basis.

d) The Annual Administrator's Report of Franklin Templeton Investment Management Ltd. United Kingdom, Bucharest Branch, regarding the management and administration of Fondul Proprietatea S.A. for the year 2012, includes an accurate overview of the developments and performance of Fondul Proprietatea S.A., as well as a description of the main risks and uncertainties related to the business.

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

Grzegorz Maciej Konieczny	Mihaela Moleavin
Legal Representative	Financial Reporting Manager

THE FUND

FONDUL PROPRIETATEA S.A.
78-80 Buzesti Street, 7th floor
Bucharest 011017
Romania

SOLE UK FINANCIAL ADVISER

Jefferies International Limited
Vintners Place
68 Upper Thames Street
London EC4V 3BJ
United Kingdom

GDR DEPOSITARY

The Bank of New York Mellon
101 Barclay Street
22nd Floor
New York
New York 10286

GDR CUSTODIAN

Raiffeisen Bank SA
Bucharest Operational Center
246D Calea Floreasca
Bucharest 014476
Romania

LEGAL ADVISERS TO THE FUND

As to English Law

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

As to Romanian Law

Clifford Chance Badea SCA
28-30 Academiei Street 1st District
Bucharest 010016
Romania

LEGAL ADVISERS TO THE SOLE UK FINANCIAL ADVISER

Ashurst LLP
Broadwalk House
5 Appold Street
London EC2A 2HA
United Kingdom

LEGAL ADVISERS TO THE GDR DEPOSITARY

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

INDEPENDENT AUDITORS

Deloitte Audit SRL
4-8 Sos. Nicolae Titulescu, East Entrance, 3rd Floor
Bucharest 011141
Romania