

# QUARTERLY REPORT

for the quarter ended  
31 March 2014

Prepared in accordance with CNVM  
Regulation no 1/2006

(This is a translation from the official Romanian  
version)

**FONDUL**  
PROPRIETATEA



## S.C. Fondul Proprietatea S.A.



**FRANKLIN TEMPLETON**  
**INVESTMENTS**

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# Company Information

## The Company

- Fondul Proprietatea S.A. (“the Fund” or “Fondul Proprietatea”) was incorporated on 28 December 2005 as a joint stock company operating as a closed-end investment company.
- The Fund is registered with the Bucharest Trade Registry, under the number J40/21901/2005 and has the sole registration code 18253260.
- The Fund’s Investment Objective is capital appreciation via investment primarily in Romanian equities with strict adherence to the principles of value investing.
- The Sole Administrator of the Fund is Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML” or “Fund Manager”), effective since 29 September 2010.
- Since 25 January 2011 the Fund’s shares have been listed on the Bucharest Stock Exchange (“BVB”).

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

NAV and Share Price Developments	Q1 2014	Q1 2013	YE 2013
Total Shareholders’ Equity (RON million)	10,324.8	12,075.6	10,885.0
Total NAV (RON million)	14,253.3	15,238.5	15,013.7
NAV per Share (RON)	1.1813	1.1568	1.2436
NAV per Share change in the period (%)*	-5.0%	+1.7%	+9.4%
NAV per Share Total Return (%)*	-5.0%	+1.7%	+13.3%
Share Price as at the end of the period (RON)	0.8300	0.6315	0.8335
Share Price Low (RON) <sup>1</sup>	0.7810	0.5705	0.5705
Share Price High (RON) <sup>1</sup>	0.8560	0.6375	0.8605
Share Price change in the period (%)*	-0.4%	+14.9%	+51.7%
Share Price Total Return (%)*	-0.4%	+14.9%	+61.3%
Discount to NAV as at the end of the period	29.7%	45.4%	33.0%
Average Discount for the period	33.6%	47.7%	41.3%
Total Share Turnover (RON million)	631.1	783.5	4,097.0
Average Daily Share Turnover (RON million)	10.2	12.6	16.4

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

\*Compared to the end of the previous year

Share Capital Information	31 March 2014*	31 March 2013	31 December 2013
Issued Share Capital (RON)	13,538,087,407	13,778,392,208	13,778,392,208
Paid Share Capital (RON)	13,172,832,785	13,412,803,666	13,413,137,586
Number of Shares in Issue	13,538,087,407	13,778,392,208	13,778,392,208
Number of Paid Shares	13,172,832,785	13,412,803,666	13,413,137,586

\*According to 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 in the first buy-back programme carried out in 2011. The share capital decrease was effective on 24 February 2014.

<sup>1</sup> Closing prices. Source: BVB

Share Information	
Listing	Bucharest Stock Exchange
Since	25 January 2011
Bucharest Stock Exchange Symbol	FP
Bloomberg	FP RO
Reuters	FP.BX
ISIN	ROFPTAACNOR5
FSA Register No	PJR09SIIR/400006/18.08.2010
CIVM Registration No	AC-3632-5/03.09.2012

### Shareholder Structure<sup>2</sup> (as at 31 March 2014)

Shareholder Categories	% of subscribed share capital	% of paid-up share capital	% of voting rights
Foreign institutional shareholders	54.30%	55.80%	60.89%
Romanian private individuals	20.19%	20.75%	22.64%
Romanian institutional shareholders	8.99%	9.24%	10.09%
Foreign private individuals	5.67%	5.82%	6.35%
Ministry of Public Finance <sup>3</sup>	0.03%	0.03%	0.03%
Treasury shares <sup>4</sup>	8.13%	8.36%	-
Unpaid shares <sup>5</sup>	2.69%	-	-

There were 8,335 shareholders on 31 March 2014.

### Contact Details

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<sup>2</sup> Source: Central Depository

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

<sup>4</sup> 1,100,950,684 treasury shares acquired by the Fund through the second buy-back programme.

<sup>5</sup> Shares unpaid by Romanian State represented by Ministry of Public Finance

## Overview

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, as Sole Administrator and Fund Manager of Fondul Proprietatea presents the results of the Fund for the first quarter of 2014, with an unaudited net loss of RON 79.0 million (net loss for the quarter ended 31 March 2013 was RON 5.6 million). Total shareholders' equity was RON 10,324.8 million as at 31 March 2014, a decrease of 5.1% compared to the value of RON 10,885.0 million as at 31 December 2013.

The main factors behind the loss in the first quarter of 2014 were the accounting loss on disposal of equity investments in the period (for more details please see chapter Financial Analysis) and the lack of dividend income, which was expected given that the dividend stream from portfolio companies follows the normal pattern for Romanian companies, where dividends are usually approved in the second quarter of the year.

The Fund reported a Net Asset Value ("NAV") of RON 14,253.3 million as at 31 March 2014 and a Net Asset Value per Share ("NAV/share") of RON 1.1813 (a negative NAV per Share total return of - 5.0%). The NAV is prepared in accordance with local rules issued by the capital market regulator.

The overall downward trend of the Fund's NAV performance in Q1 2014 was correlated with the overall conditions on the BVB, which negatively impacted the valuation of the listed holdings in the Fund's portfolio.

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

% change in 2014	in local currency	in EUR
<b>BET-XT (Romania)</b>	<b>-3.85%</b>	<b>-3.05%</b>
PX (Czech Republic)	+1.26%	+1.52%
WIG20 (Poland)	+1.30%	+1.41%
ATX (Austria)	-0.30%	-0.30%
BUX (Hungary)	-5.50%	-8.30%

NAV and Share Price Developments	Note	Q1 2014	Q1 2013	YE 2013	Changes	
					Q1 2014 vs Q1 2013	Q1 2014 vs YE 2013
Total Shareholders' Equity (RON million)	a	10,324.8	12,075.6	10,885.0	-14.5%	-5.1%
Total NAV (RON million)	b, d	14,253.3	15,238.5	15,013.7	-6.5%	-5.1%
NAV per Share (RON)	b, d	1.1813	1.1568	1.2436	2.1%	-5.0%
NAV per Share Total Return (%)*	c	-5.0%	+1.7%	+13.3%		
Share Price as at the end of the period (RON)		0.8300	0.6315	0.8335	31.4%	-0.4%
Share Price Total Return (%)*	c	-0.4%	+14.9%	+61.3%		
Gross Dividends Declared (RON per share)		-	-	0.04089		
Share Price Discount to NAV as at the end of the period		29.7%	45.4%	33.0%		

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

\*Compared to the end of the previous year

### Notes:

- Prepared in accordance with Romanian Accounting Regulations
- Prepared on the basis of local rules issued by the capital market regulator
- Calculated with dividend reinvested, where applicable
- The difference in change (%) between total NAV and NAV per share is accounted for by the change in paid capital during the period and by the change in NAV per share computation

methodology with effect from 31 December 2012 (treasury shares acquired through buybacks are excluded from the number of shares used in the computation of NAV per share)

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

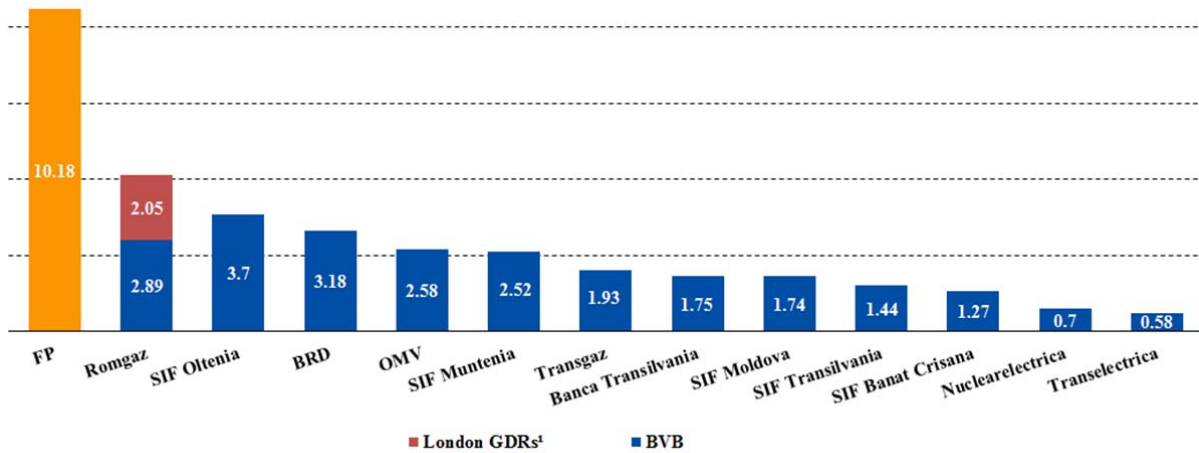
	Local Capital Market Regulations*	Romanian Accounting Regulations
Listed securities	Valued at closing market prices (regulated markets)	Valued at cost less adjustments for impairment
	Valued at reference prices (Rasdaq market)**	
Unlisted or illiquid listed securities	Valued as per latest issued annual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

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

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

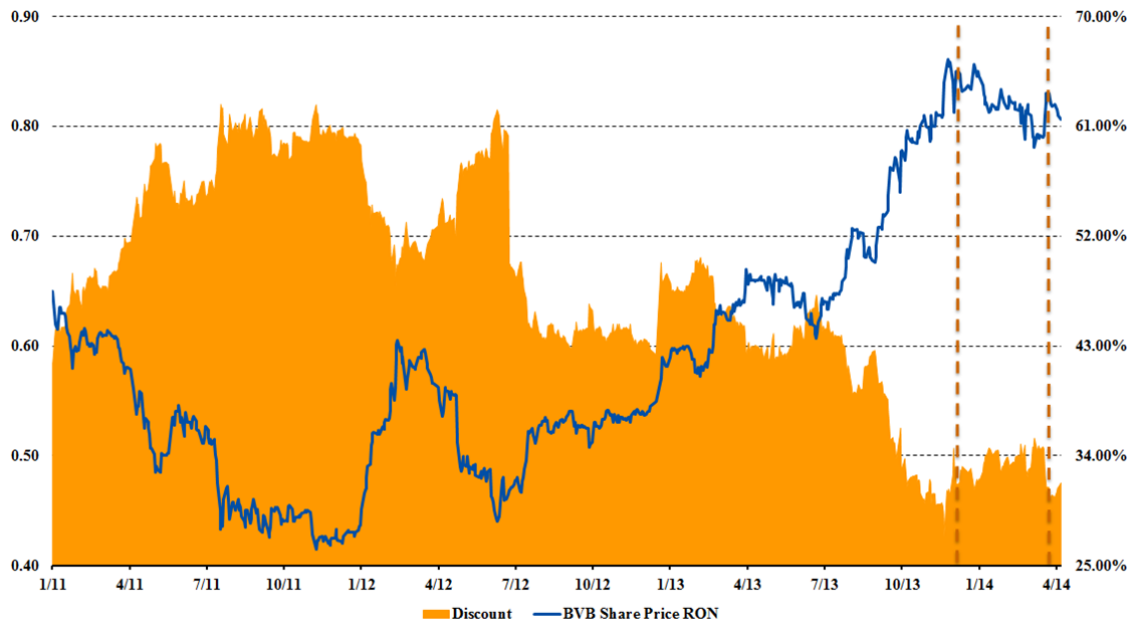
# Significant Events

Average Daily Turnover in the first quarter of 2014 (RON million)



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

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



Source: BVB

## Investor Relations Update

During the first quarter of the year, we continued our efforts to raise the profile and visibility of the Fund as well as of the local capital market and of Romania in general, to a broader international institutional investor base. Also, the Fund Manager continued to update the current shareholders on the most important developments regarding the Fund and its underlying holdings through individual meetings and conference calls.

In the first three months of the year, we participated to 5 global and regional emerging and frontier market conferences in London, New York and Warsaw where we met with more than 50 institutional investors interested to find out more details about the Fund and its equity story and to receive updates on the Fund, its corporate actions and its main portfolio holdings.

During the same period, we organised 3 road-shows in the most important financial centres in Europe (London), United States (New York) and Middle-East (Dubai). During the road-shows the Fund's team had individual meetings with both current shareholders and potential investors.

On 5 – 6 February, we organised in collaboration with the Bucharest Stock Exchange and Raiffeisen Bank the “Romania Investor Days” in New York, the first event focused on the Romanian capital market. 60 representatives of international institutional investors with assets under management of over EUR 700 billion participated to the event. The first day of the event featured presentations from the Romanian Prime Minister's Advisor, the Deputy Governor of the Romanian National Bank, the Privatisation Director of the Energy Department from the Ministry of Economy, the Secretary of state within the Ministry of Economy, the Secretary of state within the Ministry of Finance, the President of the Romanian Fiscal Council, the CEO and the President of the Bucharest Stock Exchange, the Vice-President of Raiffeisen Treasury and Capital Markets and the CEO of the Fund Manager of Fondul Proprietatea. During the second day of the event, over 100 individual and group meetings were organised between the institutional investors and the 11 Romanian listed and unlisted companies participating to the conference.

On 13 February, we held the 2013 Preliminary Annual Results conference call to discuss the Fund's preliminary results report released on the same day. On 31 March, as part of our ongoing efforts to ensure a broader understanding of the Fund and the underlying holdings, we organised the third edition of the Analysts Day event, addressed to the analysts covering the Fund.

In addition, we organised 8 individual meetings in Bucharest with current and prospective investors visiting Romania, as well as over 20 conference calls with institutional investors interested in the Fund.

Communication between the Fund Manager and investors remains our top priority as we aim to ensure that investors are informed about the latest developments and obtain their feedback as we continue to focus on maximising shareholder value.

### Secondary Listing Update

As announced previously, the feedback from institutional investors that the Fund Manager has met during the road-shows remained very supportive of the secondary listing of the Fund, and the Fund Manager has engaged in a dialogue with shareholders, prospective investors, and investment banks, in order to find the most value-enhancing option for the Fund's shareholders. In March 2014, the Fund Manager issued its recommendation to shareholders regarding the secondary listing of the Fund on the Specialist Fund Market (“SFM”) of the London Stock Exchange (“LSE”). The Fund Manager also announced that it has selected the consortium of investment banks to assist with the secondary listing on the SFM of the LSE: Jefferies International Limited as the sole UK financial adviser, together with BRD Societe Generale and Swiss Capital as local advisors, and Clifford Chance Badea as the legal advisor for the Fund.

Fungible trading between London and Bucharest is expected to be achieved via the use of Depositary Interests (“DIs”) in the United Kingdom. In this regard, a UK-based registrar and depositary would bridge the London and Bucharest markets by holding Shares through a local (Bucharest-based) custodian via Clearstream (clearing and settlement entity connected to the Central Depositary in Bucharest) and issuing DIs in London. Alternatively, the listing can be achieved via the use of Global Depositary Receipts (“GDRs”), but the current local regulations in Romania limit the issuance of GDRs to IPOs and in order for the Fund to be able to issue such GDRs, either the regulation should change or the local FSA should issue a waiver for the Fund to be able to issue the GDRs. New local and foreign investors will be attracted via separate placements of shares facilitated by existing shareholders through accelerated placements and/or individual trades on the regular (open) market either at the same time or subsequent to the listing in London.

The Fund Manager's recommendation regarding the secondary listing of the Fund on the LSE was approved on at the General Shareholders' Meeting on 28 April 2014.

### Share Cancellation

On 24 February 2014, the Fund Manager received from the Financial Supervisory Authority the decision regarding the approval of the decrease of the Fund's share capital through the cancellation of



the 240.3 million shares repurchased during the first buy-back programme. On 28 April 2014, shareholders voted for the decrease of the share capital through the cancellation of 1.1 billion shares repurchased by the Fund during the second buy-back programme.

### Buy-back Programmes

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

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

In its effort to return value to shareholders, the Fund Manager has proposed shareholders to approve a fourth buy-back programme to repurchase 990,855,616 shares, once the third buy-back programme is completed. As with previous buy-back, the programme can be executed within 18 months of the date when the shareholders' resolution is published in the Official Gazette of Romania. The buy-back shall be performed at a price that cannot be lower than RON 0.2 / share or higher than RON 2 / share and the shares repurchased will be cancelled. The shareholders voted in favour of the Fund Manager's proposal during the 28 April 2014 Annual GSM.

### Subsequent Events

#### Main updates on litigations

In the administrative file regarding the legal action filed by the Fund against the Financial Supervisory Authority for the endorsement of the Addendum no. 2 to the Investment Management Agreement, the Bucharest Court of Appeal announced on 24 April 2014 that it ruled against the Fund and dismissed the claim. The Court's decision is not final and may be subject to appeal.

Subject to the Court's reasoning, which has not been communicated yet, the Fund Manager will analyse the next steps and actions to be taken in this case.

#### General Meeting of Shareholders

On 28 April 2014 the shareholders of the Fund approved:

- The amendment of the Constitutive Act for the extension of the mandate of the Fund Manager and for mentioning that the Fund doesn't raise capital.
- The secondary listing of Fondul Proprietatea on the London Stock Exchange, and all actions needed for it.
- The decrease of the subscribed share capital of Fondul Proprietatea for cancelling the treasury shares (buybacks) acquired in the second buy-back programme carried out during 2013 (1,100,950,684 shares).
- The new Investment Policy Statement.
- The fourth buy-back programme (for 990,855,616 shares).
- The ratification and the approval of all resolutions taken by the extraordinary general shareholders' meetings between 6 September 2010 and 27 April 2014.
- The approval of the execution of the Investment Management Agreement between Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch and Fondul Proprietatea, as negotiated between the Board of Nominees and Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch.

- The renewal / extension of the current mandate of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch for a period of 2 years starting with 30 September 2014.
- The Annual Report of the Sole Administrator of Fondul Proprietatea for the financial year 2013, including the financial statements for the year ended on 31 December 2013, prepared in accordance with Romanian Accounting Regulations, the approval of the auditors' report and the discharge of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch for any liability for the administration during 2013.
- The net profit allocation for the financial year 2013.
- The amendment to the 2014 budget of Fondul Proprietatea (Addendum no. 1 to the 2014 Budget of Fondul Proprietatea).
- The addendum to the audit contract with Deloitte Audit SRL for other services related to the secondary listing.
- The ratification and the approval of all OGM decisions and all of the legal acts (including decisions and contracts) concluded, adopted or issued on behalf of Fondul Proprietatea by Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, as well as of any management/administration measures adopted and/or implemented by it, approved or concluded between 6 September 2010 and 27 April 2014.
- 15 May 2014 as the registration date.

#### **The increase of the paid-up share capital of the Fund**

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

- The Fund Manager issued Decision 14/4 April 2014, in which it acknowledged that the Romanian State had transferred 26,904 shares in CE Oltenia with a total nominal value of RON 269,040, as share capital contribution against the unpaid capital, according to GEO 81/2007.
- The Fund Manager issued Decision 16/7 April 2014, in which it acknowledged that the Romanian State had transferred 99,999 shares in Hidroelectrica with a total nominal value of RON 999,990, as share capital contribution against the unpaid capital, according to GEO 81/2007. This was a share capital increase in Hidroelectrica equivalent to the value of land for which Hidroelectrica obtained title.

As a result of these two decisions, the subscribed capital of the Fund remained unchanged at RON 13,538,087,407 and the paid-up capital increased to RON 13,174,101,815.

# Analysis of the Activity of the Fund

## Analysis of the Portfolio of the Fund

### Net Asset Valuation

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

All NAVs are published on the Fund’s website at [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro), together with share price and discount information.

### NAV Methodology

CNVM Regulation no 4/2010 amended by the CNVM Regulation no 11/2012 allows NAV calculation based on best international practice suitable for a closed-end listed fund.

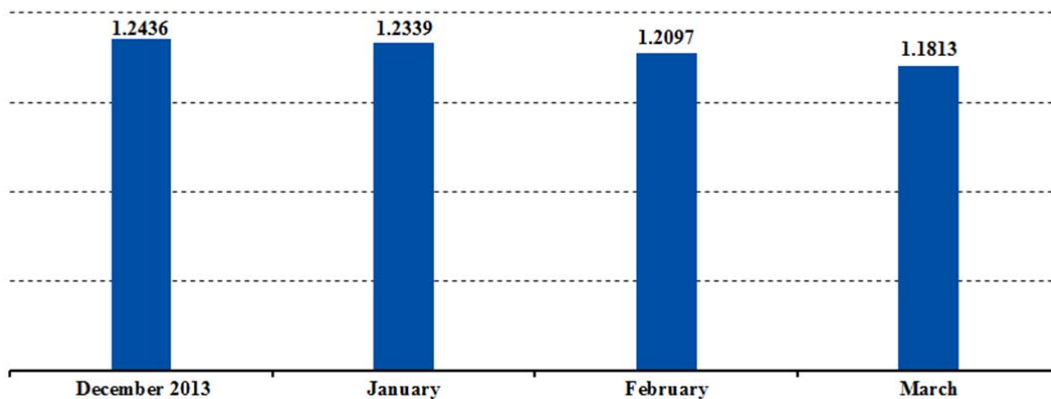
Listed securities are valued at closing market prices, if listed on regulated markets or reference prices, if listed on Rasdaq (reference price is considered the closing price for the securities listed on section RGBS of Rasdaq and the average price for the securities listed on section XMBS of Rasdaq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

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

With effect from December 2012, treasury shares acquired through buybacks are excluded from the number of shares used in NAV per share computation.

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

### NAV/share (RON/share)



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

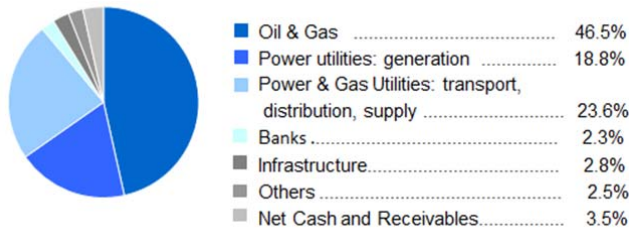
During the first quarter of 2014 the NAV per share decreased with 5% mainly due to the negative impact of the decrease of the share prices of certain listed holdings, principally OMV Petrom (impact on the Fund’s NAV of RON 460.5 million or RON 0.0382 per share) and Romgaz (impact on the Fund’s NAV of RON 68.8 million or RON 0.0057 per share), and due to the update of the

independent valuation of the holding in Hidroelectrica in February 2014, after the Bucharest Court of Appeal took the decision to place Hidroelectrica back under the reorganisation procedure (the impact was a decrease of RON 134.2 million or RON 0.0111 per share).

**Investment Strategy and Portfolio Analysis**

The Fund’s investment objective is capital appreciation, primarily through investments in Romanian equity and equity-linked securities. The equity exposure amounted to 96.5% of the Fund’s NAV as at 31 March 2014. As at that date, the portfolio was composed of holdings in 58 companies (20 listed and 38 unlisted), containing a combination of privately held and state-controlled entities.

**Portfolio Structure - by Sector**



- The portfolio remained heavily weighted in power, oil and gas sectors (approx. 88.9% of the NAV), through a number of listed and unlisted Romanian companies.
- Net cash and receivables include bank deposits, current bank accounts, government securities, other receivables, as well as other assets, net of all liabilities and provisions.

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

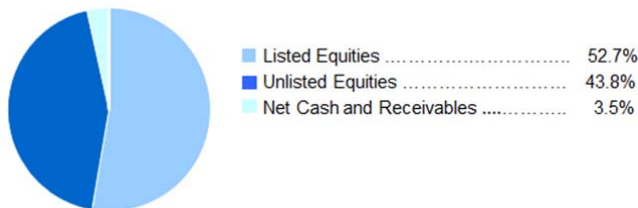
**Portfolio Structure - by Country**



- As at 31 March 2014, the Fund had no foreign exposure.

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

**Portfolio Structure – Equity Investments - Listed Versus Unlisted**



- The largest listed company is OMV Petrom (61.2% of total value of listed companies in the portfolio)
- The largest unlisted company is Hidroelectrica (33.7% of the total value of unlisted companies in the portfolio).

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

**Top 20 Equity Investments**

No	Name	Fund's Stake (%)	Value as at 31 March 2014	% of NAV
			(RON million)	
1	OMV Petrom SA	18.99%	4,593.9	32.2%
2	Hidroelectrica SA	19.94%	2,105.2	14.8%
3	Romgaz SA	14.99%	1,906.9	13.4%
4	ENEL Distributie Banat SA	24.12%	573.2	4.0%
5	ENEL Distributie Muntenia SA	12.00%	473.1	3.3%
6	GDF Suez Energy Romania	12.00%	404.4	2.8%
7	ENEL Distributie Dobrogea SA	24.09%	379.1	2.7%
8	E.ON Moldova Distributie SA	22.00%	345.4	2.4%
9	Complexul Energetic Oltenia SA	21.53%	321.6	2.3%
10	Electrica Distributie Muntenia Nord SA	21.99%	296.2	2.1%
11	CN Aeroporturi Bucuresti SA	20.00%	287.7	2.0%
12	Nuclearelectrica SA	9.72%	257.1	1.8%
13	BRD - Groupe Societe Generale	3.64%	208.2	1.5%
14	Electrica Distributie Transilvania Nord SA	22.00%	206.7	1.5%
15	Electrica Distributie Transilvania Sud SA	21.99%	192.0	1.3%
16	Transelectrica SA	13.49%	166.1	1.2%
17	E.ON Gaz Distributie SA	12.00%	165.2	1.2%
18	Conpet SA	29.70%	123.4	0.9%
19	Banca Transilvania	2.93%	111.6	0.8%
20	Societatea Nationala a Sarii SA	48.99%	106.3	0.7%
<b>Top 20 equity holdings</b>			<b>13,223.3</b>	<b>92.9%</b>
<b>Total equity holdings</b>			<b>13,752.2</b>	<b>96.5%</b>
<b>Net cash and receivables</b>			<b>501.1</b>	<b>3.5%</b>
<b>Total NAV</b>			<b>14,253.3</b>	<b>100.0%</b>

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

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

During the first quarter of 2014, the Fund sold its entire holdings in Resib SA, Turdapan SA, Erste Group Bank, Raiffeisen Bank and part of its holding in Oil Terminal SA.

Also in January 2014, Primcom SA Bucuresti performed a return of capital represented by a decrease in the nominal value of shares from RON 2.5 per share to RON 0.1 per share.

**Energy Sector Updates****Energy Tariff Changes**

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

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

### Gas Tariff Changes

The implementation of the calendar for gradual elimination of regulated gas prices has started on 1 February 2013. Following the implementation of the 6<sup>th</sup> increase on 1 April 2014, prices have increased in line with the calendar to 89.4 RON/MWh for industrial consumers and 51.8 RON/MWh for household consumers. According to Law 123/2012, which came into force on 19 July 2012, gas prices will be fully liberalised by end December 2014 for non-households and by end December 2018 for household consumers per the table below:

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

Starting date	Household consumers		
	Convergence degree (%)	Internal production price (RON/MWH)	Final price growth (%)
01.12.2012	33	45.7	0
01.04.2013	33	45.7	0
01.07.2013	36	48.5	8
01.10.2013	37	49.8	2
<b>Annual growth of the final price 2013 (%)</b>			<b>10</b>
01.01.2014	38	50.6	2
01.04.2014	41	51.8	2
01.07.2014	44	53.3	3
01.10.2014	46	54.6	3
<b>Annual growth of the final price 2014 (%)</b>			<b>10</b>
01.01.2015	47	56.1	2
01.04.2015	49	58.9	3
01.07.2015	52	62.0	4

Starting date	Convergence degree (%)	Household consumers	
		Internal production price (RON/MWH)	Final price growth (%)
01.10.2015	54	64.1	3
<b>Annual growth of the final price 2015 (%)</b>			<b>12</b>
01.01.2016	56	67.1	3
01.04.2016	60	71.7	3
01.07.2016	64	76.5	3
01.10.2016	66	78.5	3
<b>Annual growth of the final price 2016 (%)</b>			<b>12</b>
01.01.2017	69	82.0	2
01.04.2017	73	86.9	2
01.07.2017	78	93.0	5
01.10.2017	81	96.5	3
<b>Annual growth of the final price 2017 (%)</b>			<b>12</b>
01.01.2018	83	99.2	3
01.04.2018	89	106.3	3
01.07.2018	97	115.1	3
01.10.2018	100	119.0	3
<b>Annual growth of the final price 2018 (%)</b>			<b>12</b>

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

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

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

The tax must be self-assessed and declared by 25 May of the year for which the tax is due.

The new tax has a negative impact on the financial situations of some of the companies in the Fund’s portfolio. In total, the private and state-owned companies from the Fund’s portfolio are estimated to contribute more than RON 900 million to the State Budget. The impact of the tax on the Fund’s share profit was estimated to RON 157 million.

The estimated impact on selected portfolio companies is presented in the table below:

Company	2013 Net Profit (RON million)	Estimated Tax (RON million)	% of Net Profit
OMV Petrom	3,936.0	265 – 330 <sup>6</sup>	7% - 8%
Nuclearelectrica	426.9	100	23%
Hidroelectrica	719.0	168	23%
Romgaz	995.6	90 <sup>7</sup>	9%
Electrica Distributie Transilvania Nord*	63.7	15	24%
Electrica Distributie Muntenia Nord*	126.5	15	12%
Electrica Distributie Transilvania Sud*	69.3	17	25%
CE Oltenia**	4.5	31	688%

Source: Fund Manager estimations.

\*Financial statements subject to shareholders approval

\*\* Preliminary results

<sup>6</sup> As stated by the company’s CFO at Fondul Proprietatea Investor Days in November 2013

<sup>7</sup> As estimated by the company for the assets held on 30 September 2013



**On 20 November 2013 ANRE issued Order no. 83/2013 (the “Order”) that establishes the methodology for determining the regulated prices** which the electricity producers will be obliged to use when selling on the electricity regulated market and that provides the quantities that some of the producers are obliged to sell on such regulated market.

Based on the new methodology approved by the Order, only two categories of producers are obliged to sell on the regulated market, namely producers that possess/commercially exploit units/groups with nuclear power and hydro power capacities.

Further, the Order provides that these producers can be obliged to sell on the regulated market quantities at a maximum level of up to: 50% of the annual electricity quantity supplied by the hydro power units/groups; and 40% of the annual electricity quantity supplied by the nuclear power groups.

#### **Hidroelectrica Insolvency**

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

- Cancelled the initial decision of Bucharest Court whereby the judicial reorganisation procedure of Hidroelectrica was closed for procedural reasons. As a result, the case will be sent back to the syndic judge for a retrial. As a consequence, the company is placed back under the reorganisation procedure and the former judicial administrator is reinstated with an immediate effect.
- Cancelled and sent back to the syndic judge for retrial 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.

#### **Update on the Largest 20 Portfolio Companies**

##### **BRD – Groupe Societe Generale**

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

Source: Based on consolidated IFRS financial statements

\* Budget

##### **CN Aeroporturi Bucuresti**

RON million	2012	2013*	2014**
Sales	555.5	645.8	676.8
Operating profit	80.9	72.4	40.1
Net profit	53.1	56.3	25.3
Dividends	45.7	n.a***	-

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

\* Preliminary results

\*\* Budgeted figures

\*\*\* Proposed dividends from 2013 net profit not yet announced

March: Total passenger traffic totaled 1.01 million in the first two months of 2014, a 5.9% increase compared to the same period of 2013.



**Complexul Energetic Oltenia**

RON million	2012	2013**
Sales	3,347.1	4,278.2
Operating profit / (loss)	44.5	(28.0)
Net profit	118.3	4.5
Dividends*	57.2	-

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

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

\*\* Based on the preliminary results

**Conpet SA**

RON million	2012	2013
Turnover	334.2	348.9
Operating profit	29.9	29.9
Net profit	30.8	31.3
Dividends	28.3	29.5

Source: Based on IFRS financial statements

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

**E.ON Gaz Distributie SA**

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

Source: Based on the financial statements prepared in accordance with applicable Romanian accounting regulations (2013 financial statements subject to shareholders' approval)

\*Budgeted figures

\*\* Distribution revenues

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

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

**E.ON Moldova Distributie**

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

Source: Based on the financial statements prepared in accordance with applicable Romanian accounting regulations (2013 Financial statements subject to shareholders' approval)

\*Budgeted figures

\*\*Distribution revenues

**Electrica Distributie Muntenia Nord (“EDMN”)**

RON million	2012	2013*
Total revenues	752.3	792.8
Operating profit	99.1	132.6
Net profit	87.1	126.5
Dividends	73.7	105.5

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

\*Financial statements subject to shareholders' approval

**Electrica Distributie Transilvania Nord (“EDTN”)**

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

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

\*Financial statements subject to shareholders approval

\*\*Budgeted figures

**Electrica Distributie Transilvania Sud (“EDTS”)**

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

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

\*Financial statements subject to shareholders approval

\*\*Budgeted figures

**ENEL Distributie Banat (“EDB”)**

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

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

\*Budgeted figures

**ENEL Distributie Dobrogea (“EDD”)**

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

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

\*Budgeted figures

**ENEL Distributie Muntenia (“EDM”)**

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

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

\*Budgeted figures

**GDF Suez Energy Romania**

RON million	2012	2013	2014*
Turnover	4,047.0	4,127.1	4,448.6
Operating profit	423.3	518.7	453.3
Net profit	360.1	447.1	352.2
Dividends**	190.0	33.6	

Source: IFRS consolidated financial statements

\*Budgeted figures

\*\*Dividends are based on the separate financial statements

April: Starting 1 April 2014 the regulated prices paid by the final consumers connected to the distribution network were reduced, on average, by 3.8% for industrial clients and 5.7% for households<sup>8</sup>.

**Hidroelectrica**

RON million	2012	2013*	2014**
Turnover	2,402.8	3,083.0	2,522.0***
Operating profit	(321.6)	1,016.0	399.9
Net profit / (loss)	(508.0)	718.0	246.5
Dividends	-		

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

\* Financial statements subject to shareholders approval

\*\*Budgeted figures

\*\*\*Operating revenues

**Nuclearelectrica**

RON million	2012	2013	2014*
Sales	1,652.4	1,932.5	1,746.6
Operating profit	156.5	459.3	38.1
Net profit	19.9	426.9	27.9
Dividends**	28.5	340.9	14.2

Source: Based on IFRS consolidated financial statements audited

\* Budgeted figures, subject to shareholders' approval

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

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

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

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

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

<sup>8</sup> ANRE Order no. 22 issued on 28 March 2014

**OMV Petrom**

RON million	2012	2013	2014*
Sales	26,258.1	24,185.2	17,140.0
Operating profit	5,662.0	5,957.9	4,405.0
Net profit	3,946.1	4,824.0	3,936.0
Dividends**	1,586.0	1,744.6	

Source: Based on consolidated IFRS financial statements

\*Budgeted figures

\*\*Dividends based on separate individual IFRS financial statements

January: OMV Petrom and Exxon Mobil Exploration and Production Ltd. became titleholders for the deep water portion of the XV Midia block, following a Government decision validating the transfer agreement through which the exploration rights were bought from Sterling Resources in October 2012. The participating interests in this block are: ExxonMobil 42.5%, OMV Petrom 43.5%, Gas Plus 15%.

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

**Romgaz**

RON million	2012	2013
Turnover	3,837.9	3,894.3
Net profit	1,119.2	995.6
Dividends*	1,060.1	990.6

Source: Based on audited IFRS financial statements

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

March: The Company announced that starting 1 April 2014, Mr Dragos Doros has resigned from his position as member of the Board of Directors. The Board will initiate the process for selecting a new Board member.

**Societatea Nationala a Sarii SA**

RON million	2012	2013*
Operating Revenues	303.5	323.3
Operating profit	25.3	28.9
Net profit	20.8	26.0
Dividends	19.0	22.5

\*Budgeted figures

**Transelectrica**

RON million	2012*	2013*	2014**
Operating Revenues	2,801.0	2,494.8	2,526.3
Operating profit	112.8	270.5	157.1
Net profit	47.9	206.4	96.9
Dividends***	29.6	163.3	

\* Based on consolidated IFRS financial statements

\*\*Budgeted figures

\*\*\*Dividends based on individual financial statements

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

The Government approved a Government Emergency Ordinance to transfer the state's ownership in the company from the Ministry of Public Finance to the Government General Secretary. The ownership transfer between the state's institutions was registered by the Central Depository in April. Moody's Investors Service confirmed the company's long term corporate rating of Ba2, while the outlook was changed from negative to stable. The decision reflects the company's ability to strengthen

its liquidity position through the recent issue of a RON 200 million bond, thus reducing company's reliance on short term bank loans.

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

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

April: Shareholders approved the modification of the constitutive act of the company and introduced new paragraphs which state that "shareholders representing at least 5% of the share capital will exercise their ownership rights in accordance with the Electricity and natural gas law 123/2012 related to non-exercising, directly or indirectly, the control or any right on an economic operator which carries out production or supply activities. The rights refer to the competence to exercise voting rights, including the appointment of Supervisory Board members, Directorate members or any other bodies representing the company".

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

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

### Banca Transilvania

RON million	2012	2013	2014*
Net banking income	1,639.9	1,659.3	1,777.0
Gross operating income	755.5	850.5	942.0
Net cost of risk	384.5	407.4	430.0
Net profit	346.5	374.9	512.0**

Source: based on IFRS financial statements

\*Budgeted figures

\*\*Gross profit

## Changes affecting the capital of the Fund during the first quarter of 2014

### The decrease of the subscribed share capital of the Fund

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

The shareholder resolution implementation was delayed by litigations started by a shareholder of the Fund. According with the FSA decision no.1/21 February 2014, FSA endorsed the decrease of the subscribed share capital of the Fund, from RON 13,778,392,208 to RON 13,538,087,407, following the cancellation of 240,304,801 treasury shares acquired by the Fund during the first buy-back programme in 2011. The share capital decrease is effective beginning with 24 February 2014. Therefore, as at 31 March 2014, the value of the Fund's subscribed share capital was RON 13,538,087,407 and the value of the paid-up share capital was RON 13,172,832,785.

For the most recent changes to share capital, please refer to the *Subsequent Events* section.

## Financial Analysis

The unaudited Balance Sheet and Income Statement for the three month period ended 31 March 2014 prepared in compliance with Romanian Accounting Regulations are included in full in Annex 1 to this Report.

This section provides a commentary on the principal elements of the Fund's financial position and results for the quarter ended 31 March 2014.

### Balance Sheet

RON million	31 December 2013 Audited	31 March 2014 Unaudited
Intangible assets	0.8	0.7
Financial assets	10,490.6	9,823.8
<b>Non-current assets - total</b>	<b>10,491.4</b>	<b>9,824.5</b>
<b>Current assets - total</b>	<b>454.1</b>	<b>548.3</b>
Prepaid expenses	-	0.2
Payables within one year	31.2	35.0
<b>Total assets less current liabilities</b>	<b>10,914.3</b>	<b>10,338.0</b>
Provisions	29.3	13.2
<b>Shareholders' equity</b>	<b>10,885.0</b>	<b>10,324.8</b>

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

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

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

In the first quarter of 2014, the value of the financial assets decreased by RON 666.8 million, mainly due to the increase of the impairment adjustments for listed equity investments principally for OMV Petrom and Nuclearelectrica because of the decrease of their share price (impact of RON 460.5 million, respectively RON 49.6 million), combined with the impact of the disposal of the entire holdings in Erste Bank and Raiffeisen Bank (total impact of RON 122.9 million).

In 2014, the rise in the value of **current assets** was principally due to the receivables related to the sell transactions under settlement as at the end of March 2014, the disposal of the holdings in Raiffeisen Bank and Erste Bank (RON 112.7 million), net of the cash outflows for the payment of FTIML's investment management and administration fees for Q4 2013 (RON 13.5 million).

In the first quarter of 2014, **the provisions** decreased by RON 16.1 million, due to the reversal of the provisions for taxes (related to the reserves for bonus shares received from portfolio companies that increased their share capital through incorporation of reserves in previous years), as a result of a change to the Romanian Fiscal Code. With effect from 1 January 2014, no income tax 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. The provision has been reduced for bonus shares received from investments that meet these conditions.

## Income Statement

RON million	31 March 2013 Unaudited	31 March 2014 Unaudited
<b>Revenues from current activity, out of which:</b>	<b>11.9</b>	<b>135.2</b>
Interest income	10.5	3.7
Reversal of impairment adjustments & provisions	0.2	16.2
Revenues from disposal of financial assets	1.0	114.9
Revenues from foreign exchange differences	-	0.3
Other income from current activity	0.2	0.1
<b>Expenses from current activity, out of which:</b>	<b>17.5</b>	<b>209.8</b>
Expenses from disposal of financial assets	1.4	186.9
Expenses from foreign exchange differences	-	0.6
Depreciation, provisions, losses from receivables and sundry debtors	0.2	0.2
Commissions and fees	4.4	4.6
Other expenses from current activity*	11.5	17.5
<b>Gross Loss</b>	<b>(5.6)</b>	<b>(74.6)</b>
Income tax expense	-	4.4
<b>Net Loss</b>	<b>(5.6)</b>	<b>(79.0)</b>

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

**Interest income** arose from deposits held with banks and from short-term government securities. The significantly lower level of interest income in the first quarter of 2014 compared to the same period in 2013 is a reflection of a lower average level of deposits and short-term government securities held by the Fund during 2014, but also of the lower level of interest rates.

**Revenues from disposal of financial assets** represent the proceeds from the sales of portfolio company holdings (mainly Raiffeisen Bank and Erste Bank in 2014), while the **expenses from disposal of financial assets** represent the cost of the investments disposed of.

The **reversal of impairment adjustments & provisions** is related to the reversal of the provisions for taxes mentioned above.

**Commissions and fees** mainly include the FSA's 0.1% per annum fee, calculated on the basis of the Fund's NAV, amounting to RON 3.7 million in the quarter ended 31 March 2014 (quarter ended 31 March 2013: RON 3.8 million), and the depositary bank's fees of RON 0.4 million (quarter ended 31 March 2013: RON 0.5 million).

**Other expenses from current activity** can be analysed as follows:

RON million	31 March 2013 Unaudited	31 March 2014 Unaudited
FTIML investment management and administration fees	9.8	13.2
Salaries and similar expenses	0.2	0.3
Other expenses	1.5	4.0
<b>Other expenses from current activity</b>	<b>11.5</b>	<b>17.5</b>

During the first quarter of 2014, other expenses from current activity increased by RON 6.0 million mainly due to the increase of the FTIML investment management and administration fees, in line with the increase of the Fund's share price upon which they are based.

Other expenses included mainly litigation assistance and legal advisory expenses (including expenses related to transactions) and expenses related to the valuation of the unlisted holdings.

## Financial Ratios

		31 March 2014	
<b>1. Current Liquidity ratio</b>			
<u>Current Assets</u>	=		15.7
Current Liabilities			
<b>2. Debt-to-Equity ratio (%)</b>			
<u>Borrowings*</u>	x 100	=	-
Shareholders' Equity			
*The Fund had no borrowings, therefore this ratio is nil			
<b>3. Debt Turnover ratio (number of days)</b>			
<u>Average balance of debtors</u>	x 365	=	n.a.
Turnover or sales			
This ratio is not applicable to an investment fund and cannot be calculated.			
<b>4. Turnover of Non-current Assets</b>			
<u>Gross turnover*</u>	=		0.014
Non-current assets			
*Total Revenues from current activity have been used in computation of this ratio. This ratio has no real significance for an investment fund.			

### Signatures:

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

Oana Truța  
Legal Representative  
14 May 2014

Prepared by  
Mihaela Moleavin  
Financial Reporting Manager



## Annex 1

**FONDUL PROPRIETATEA S.A.**  
**BALANCE SHEET, INCOME STATEMENT**  
**AND INFORMATIVE DATA**  
**FOR THE QUARTER ENDED 31 MARCH 2014**

Prepared in accordance with the National Securities Commission (“CNVM”) Regulation no. 4/2011 regarding accounting regulations compliant with EEC Directive IV, applicable to the entities authorised, regulated and monitored by the Financial Supervisory Authority (“FSA”), approved by CNVM Order no. 13/2011 (“Romanian Accounting Regulations”)

**(This is a translation from the official Romanian version)**

**FONDUL PROPRIETATEA S.A.**  
**BALANCE SHEET**  
**AS OF 31 MARCH 2014**  
**FORM CODE 10**

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

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

**Type of financial statement:** SI

**County:** Bucharest

**Legal entity:** Fondul Proprietatea S.A.

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

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

**Trade Register no.:** J40/21901/2005

**Ownership type:** 22

**Main activity:**

(CAEN group): 643

**CAEN class:** 6430

**Sole Registration Code:** 18253260

A	Row B	Balance	
		1 January 2014 Audited 1	31 March 2014 Unaudited 2
<b>A. NON-CURRENT ASSETS</b>			
<b>I. INTANGIBLE ASSETS</b>			
3. Concessions, patents, licences, trademarks and similar rights and other intangible assets (acc. 205 + 208 - 2805 - 2808 - 2905 - 2908)	03	760,113	711,393
<b>TOTAL: (rows 01 to 05)</b>	<b>06</b>	<b>760,113</b>	<b>711,393</b>
<b>III. FINANCIAL ASSETS</b>			
1. Shares held in subsidiaries (acc. 261 - 2961)	12	67,481,778	56,547,912
3. Investments in associates (acc. 263 - 2963)	14	5,054,412,918	4,593,942,775
5. Other investments held as financial assets (acc. 262 + 264 + 265 + 266 - 2696 - 2962 - 2964)	16	5,368,734,780	5,173,258,027
<b>TOTAL: (rows 12 to 17)</b>	<b>18</b>	<b>10,490,629,476</b>	<b>9,823,748,714</b>
<b>NON-CURRENT ASSETS - TOTAL</b> (rows 06 + 11 + 18)	<b>19</b>	<b>10,491,389,589</b>	<b>9,824,460,107</b>
<b>B. CURRENT ASSETS</b>			
<b>II. RECEIVABLES</b>			
1. Trade receivables (acc. 2675 + 2676 + 2678 + 2679 - 2966 - 2969 + 4092 + 411 + 413 + 418 - 491)	24	1,712	1,379
4. Other receivables (acc. 425 + 4282 + 431 + 437 + 4382 + 441 + 4424 + 4428 + 444 + 445 + 446 + 447 + 4482 + 4582 + 461 + 473 - 496 + 5187)	27	2,907,389	113,801,580
<b>TOTAL: (rows 24 to 28)</b>	<b>29</b>	<b>2,909,101</b>	<b>113,802,959</b>
<b>III. SHORT TERM INVESTMENTS</b>			
2. Other short term investments (acc. 5031 + 5032 + 505 + 5061 + 5062 + 5071 + 5072 + 5081 + 5082 + 5088 + 5089 - 593 - 595 - 596 - 597 - 598 + 5113 + 5114)	31	213,635,521	289,100,087
<b>TOTAL: (rows 30 to 31)</b>	<b>32</b>	<b>213,635,521</b>	<b>289,100,087</b>
<b>IV. CASH AND BANK ACCOUNTS</b>			
(acc. 5112 + 5121 + 5122 + 5123 + 5124 + 5125 + 5311 + 5314 + 5321 + 5322 + 5323 + 5328 + 5411 + 5412 + 542)	33	237,573,615	145,386,605

This is a translation from the official Romanian version.

A	Row	Balance	
		1 January 2014 Audited	31 March 2014 Unaudited
	B	1	2
<b>CURRENT ASSETS - TOTAL</b> (rows 23 + 29 + 32 + 33)	<b>34</b>	<b>454,118,237</b>	<b>548,289,651</b>
<b>C. PREPAID EXPENSES</b> (acc. 471)	<b>35</b>	43,882	215,941
<b>D. PAYABLES WITHIN ONE YEAR</b>			
4. Trade payables (acc. 401 + 404 + 408)	<b>39</b>	17,189,337	14,405,190
8. Other payables, including tax and social security payables (acc. 1623 + 1626 + 167 + 1687 + 2698 + 421 + 423 + 424 + 426 + 427 + 4281 + 431 + 437 + 4381 + 441 + 4423 + 4428 + 444 + 446 + 447 + 4481 + 4551 + 4558 + 456 + 457 + 4581 + 462 + 473 + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	<b>43</b>	13,974,834	20,551,976
<b>TOTAL:</b> (rows 36 to 43)	<b>44</b>	<b>31,164,171</b>	<b>34,957,166</b>
<b>E. NET CURRENT ASSETS OR NET CURRENT LIABILITIES</b> (rows 34 + 35 - 44 - 60.2)	<b>45</b>	<b>422,997,948</b>	<b>513,548,426</b>
<b>F. TOTAL ASSETS LESS CURRENT LIABILITIES</b> (rows 19 + 45)	<b>46</b>	<b>10,914,387,537</b>	<b>10,338,008,533</b>
<b>H. PROVISIONS</b>			
2. Provisions for taxes (acc. 1516)	<b>57</b>	18,222,179	2,032,692
3. Other provisions (acc. 1511+1512+1513+1514+1518)	<b>58</b>	11,104,066	11,182,868
<b>TOTAL PROVISIONS</b> (rows 56 +57 + 58)	<b>59</b>	<b>29,326,245</b>	<b>13,215,560</b>
<b>J. SHARE CAPITAL AND RESERVES</b>			
<b>I. SHARE CAPITAL</b> (rows 62 to 63) out of which:	<b>61</b>	<b>13,778,392,208</b>	<b>13,538,087,407</b>
- subscribed unpaid share capital (acc. 1011)	<b>62</b>	365,254,622	365,254,622
- subscribed paid in capital (acc. 1012)	<b>63</b>	13,413,137,586	13,172,832,785
<b>IV. RESERVES</b> (rows 68-69+70+71+72+73+74)	<b>67</b>	<b>(2,531,739,371)</b>	<b>(2,887,915,357)</b>
1. Legal reserves (acc. 1061)	<b>68</b>	192,259,194	192,259,194
2. Reserves related to impairment adjustments of financial assets (acc.1062 - <i>debit balance</i> )	<b>69</b>	2,869,929,030	3,346,141,235
4. Reserves for financial assets received free of charge (acc.1065)	<b>71</b>	25,630,909	25,630,909
7. Other reserves (acc.1068)	<b>74</b>	120,299,556	240,335,775
<b>TREASURY SHARES</b> (acc.109 – <i>debit balance</i> )	<b>75</b>	1,095,093,250	979,902,770
<b>V. RETAINED EARNINGS</b> (acc. 117)			
Credit balance	<b>78</b>	85,455,026	733,501,705
<b>VI. RESULT FOR THE YEAR</b> (acc. 121)			
Credit balance	<b>80</b>	682,154,399	-
Debit balance	<b>81</b>	-	78,978,012
<b>Profit allocation</b> (acc. 129 – <i>debit balance</i> )	<b>82</b>	34,107,720	-
<b>TOTAL SHAREHOLDERS' EQUITY</b> (rows 61 + 64 + 65 - 66 + 67 -75+76-77+78 -79+80-81-82)	<b>83</b>	<b>10,885,061,292</b>	<b>10,324,792,973</b>

This is a translation from the official Romanian version.

**FONDUL PROPRIETATEA S.A.**  
**INCOME STATEMENT**  
**FOR THE QUARTER ENDED 31 MARCH 2014**  
**FORM CODE 20**  
(all amounts are expressed in RON, unless otherwise specified)

A	Row	Quarterly ended	
		31 March 2013 Unaudited	31 March 2014 Unaudited
	B	1	2
<b>A. REVENUES FROM CURRENT ACTIVITY – TOTAL</b> (rows 02 to 11)	<b>01</b>	<b>11,911,903</b>	<b>135,208,280</b>
1. Revenues from financial assets (acc. 761)	02	22,393	-
4. Revenues from disposal of financial assets (acc.758(part)+764)	05	964,550	114,929,580
6. Revenues from provisions, receivables previously written off and sundry debtors (acc.754+781+786)	07	221,417	16,199,085
7. Revenues from foreign exchange differences (acc.765)	08	10,144	260,035
8. Interest income (acc.766)	09	10,516,873	3,657,724
10. Other income from current activity (acc. 705+706+708+741+758(part)+767+768 +7815)	11	176,526	161,856
<b>B. EXPENSES FROM CURRENT ACTIVITY – TOTAL</b> (rows 13 to 20)	<b>12</b>	<b>17,483,135</b>	<b>209,840,060</b>
12. Expenses from disposal of financial assets (acc. 658(part) +664)	14	1,355,486	186,919,803
13. Expenses from foreign exchange differences (acc. 665)	15	11,608	647,100
15. Commissions and fees (acc.622)	17	4,374,906	4,586,139
16. Expenses for bank services and similar expenses (acc.627)	18	6,532	11,864
17. Depreciation and amortisation, provisions, losses from receivables and sundry debtors (acc.654+681+686)	19	188,453	158,082
<b>18. Other expenses from current activity</b> (rows 21+22+23+26+27)	<b>20</b>	<b>11,546,150</b>	<b>17,517,072</b>
<b>c. Salary expenses (rows 24+25), of which:</b>	<b>23</b>	<b>170,168</b>	<b>272,550</b>
c1. Salaries (acc.621+641+642 +644)	24	135,000	225,000
c2. Social security contributions (acc. 645)	25	35,168	47,550
d. Third party expenses (acc.611+612+613+614+623+624+625+626+628+658(part)+ 667 +668)	26	11,371,501	16,785,976
e. Other taxes, duties and similar expenses (acc. 635)	27	4,481	458,546
<b>C. CURRENT RESULT</b>			
- Loss (row 12-01)	29	5,571,232	74,631,780
<b>19. TOTAL REVENUE (rows 01+30)</b>	<b>34</b>	<b>11,911,903</b>	<b>135,208,280</b>
<b>20. TOTAL EXPENSES (rows 12+31)</b>	<b>35</b>	<b>17,483,135</b>	<b>209,840,060</b>
<b>G. GROSS PROFIT:</b>			
- Loss (row 35 - 34)	37	5,571,232	74,631,780
<b>21. INCOME TAX EXPENSE</b>			
- Income tax expense (acc.691)	38	-	4,346,232
<b>H. RESULT FOR THE YEAR</b>			
- Loss (row 37 + 38 + 39) or (row 38 + 39 – 36)	41	5,571,232	78,978,012

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**FONDUL PROPRIETATEA S.A.**  
**INFORMATIVE DATA**  
**AS AT 31 MARCH 2014**  
**FORM 30**

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

**Informative Data**

I. Data regarding the financial result	No Row	No of units 1	Amounts (RON) 2
Units that incurred profit	01	-	-
Units that incurred losses	02	1	78,978,012

II. Data regarding the overdue payments	No row	Total Col.2+3	Of which:	
			For the current activity	For the investment activity
A	B	1	2	3
<b>Overdue Liabilities-total (row 04+08+14 to 18+22), of which:</b>	<b>04</b>	<b>51,231</b>	<b>51,231</b>	-
<b>Overdue Suppliers – total (row 05 to 07), of which:</b>	<b>05</b>	<b>51,231</b>	<b>51,231</b>	-
- over 30 days	06	51,231	51,231	-

IV. Payments of interest, dividends and royalties	No row	Amounts
A	B	1
Gross dividends income paid to non-residents, of which:	40	442,131
- taxes owed to the state budget	41	-
Gross services income paid to non-residents, of which:	56	2,071,718
- taxes owed to the state budget	57	379,484
Gross services income paid to non-residents in EU member states, of which:	58	2,066,446
- taxes owed to the state budget	59	379,484

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VIII. Other information	No row	31.03.2013	31.03.2014
A		1	2
<b>Financial assets, gross values (row 78 + 87), of which:</b>	<b>77</b>	<b>13,842,714,387</b>	<b>13,176,888,315</b>
<b>Shares held in subsidiaries, investments in associates, other non-current investments and bonds, gross values (row 79 to 86), of which::</b>	<b>78</b>	<b>13,842,714,387</b>	<b>13,176,888,315</b>
- listed shares issued by residents	79	6,927,484,273	7,849,707,110
- unlisted shares issued by residents	80	6,699,587,224	5,327,181,205
- shares and social parts issued by non-residents	85	215,642,890	-
<b>Trade receivables, advances to suppliers and other similar accounts, gross values (account 4092 + 411 + 413 + 418), of which:</b>	<b>90</b>	<b>39,604</b>	<b>1,152</b>
Trade receivables not collected in due time (from account 4092 + from account 411 + from account 413)	92	39,604	1,152
<b>Receivables from social security and state budget (account 431 + 437 + 4382 + 441 + 4424 + 4428 + 444 + 445 + 446 + 447 + 4482), (row 95 to 99), of which:</b>	<b>94</b>	<b>1,609,186</b>	<b>38,662</b>
- receivables from social securities (account 431 + 437 + 4382)	95	38,305	38,305
- fiscal receivables from state budget (account 441 + 4424 + 4428 + 444 + 446)	96	1,570,876	357
- other receivables from state budget (account 4482)	99	5	-
<b>Other receivables (account 452 + 456 + 4582 + 461 + 471 + 473), of which:</b>	<b>102</b>	<b>53,747,309</b>	<b>128,786,318</b>
- settlements from equity investments, settlements with shareholders related to share capital, settlement related to joint ventures (from account 452 + 456 + 4582)	103	4,766,734	13,828,455
- other receivables from individuals and legal entities, other than receivables from public institutions, (from account 461 + from account 471 + from account 473)	104	48,980,575	114,957,863
Interests receivables (account 5187), of which	106	1,152,386	38,171
- from non-residents	107	-	-
<b>Short term investments, in gross amounts (account 501 + 503 + 505 + 506 + 507+ from the account 508) (row 110 to 118), of which:</b>	<b>109</b>	<b>533,535,641</b>	<b>289,100,087</b>
- treasury bonds issued by residents	113	533,535,641	289,100,087
<b>Petty cash in RON and currency (row 121 + 122), of which:</b>	<b>120</b>	<b>2,080</b>	<b>38</b>
- in RON (account 5311)	121	2,080	38
<b>Bank accounts, in RON and currency (row 124 + 126), of which:</b>	<b>123</b>	<b>233,443,625</b>	<b>145,386,567</b>
- in RON (account 5121), of which:	124	233,443,085	145,382,034
- bank accounts in RON opened with non-residents banks	125	-	-
- in currency (account 5124), of which:	126	540	4,533
- bank accounts in currency opened with non-residents banks	127	-	-

This is a translation from the official Romanian version.

VIII. Other information (continued)	No row	31.03.2013	31.03.2014
<b>Liabilities (row 132 + 135 + 138 + 141 + 144 + 147 + 150 + 153 + 156+ 159 + 162+ 163 + 167 + 169 + 170 + 175 + 176 + 177 + 183), of which:</b>	<b>131</b>	<b>19,891,282</b>	<b>34,957,166</b>
<b>Trade payables, advances from clients and other similar accounts, gross values (account 401 + 403 + 404 + 405 + 408 + 419), of which:</b>	<b>167</b>	<b>10,163,666</b>	<b>14,405,190</b>
- external trade payables, advances from foreign clients and other similar accounts, gross values (from account 401 + from account 403 + from account 404 + from account 405 + from account 408 + from account 419)	168	15,666	51,231
<b>Liabilities to employees and similar accounts (account 421 + 423 + 424 + 426 + 427 + 4281)</b>	<b>169</b>	<b>38,100</b>	<b>-</b>
<b>Liabilities to social security and state budget (account 431 + 437 + 4381 + 441 + 4423 + 4428 + 444 + 446 + 447 + 4481), (row 171 to 174), of which:</b>	<b>170</b>	<b>1,300,468</b>	<b>5,162,668</b>
- liabilities to social securities (account 431 + 437 + 4381)	171	18,900	26,005
- fiscal liabilities to state budget (account 441 + 4423+ 4428 + 444 + 446)	172	1,281,568	5,136,663
<b>Other liabilities (account 452 + 456 +457 + 4581+ 462 + 472 + 473 + 269 + 509), of which:</b>	<b>177</b>	<b>8,389,048</b>	<b>15,389,308</b>
- settlements from equity investments, settlements with shareholders related to share capital, settlement related to joint ventures (from account 452 + 456 + 457 + 4581)	178	8,389,048	10,311,205
- other liabilities from individuals and juridical persons, other than liabilities to public institutions, (from account 462 + from account 472 + from account 473)	179	-	5,078,103
<b>Subscribed paid in share capital (account 1012) (row 186 to 189), of which:</b>	<b>185</b>	<b>13,412,803,666</b>	<b>13,172,832,785</b>
- listed shares	186	13,412,803,666	13,172,832,785
<b>Brevets and licences (from account 205)</b>	<b>190</b>	<b>5,139</b>	<b>5,139</b>

This is a translation from the official Romanian version.

IX. Subscribed paid in share capital A	No. row. B	31.03.2013 1		31.03.2014 2	
		Amount (1)	% (2)	Amount (1)	% (2)
<b>Subscribed paid in share capital (account 1012) (row 192 + 195 + 199 to 201)</b>	<b>191</b>	<b>13,412,803,666</b>	<b>100.00%</b>	<b>13,172,832,785</b>	<b>100.00%</b>
<b>- share capital owned by public institutions, of which:</b>	<b>192</b>	<b>2,919,301</b>	<b>0.02%</b>	<b>3,266,961</b>	<b>0.02%</b>
- public institution with Central subordination	<b>193</b>	2,919,301	0.02%	3,266,961	0.02%
- owned by companies with private capital	<b>199</b>	8,929,500,420	66.57%	9,375,657,512	71.17%
- owned by individuals	<b>200</b>	4,170,739,870	31.10%	3,500,173,259	26.58%
- owned by other entities	<b>201</b>	309,644,075	2.31%	293,735,053	2.23%

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

Oana Truța  
Legal Representative

Prepared by  
Mihaela Moleavin  
Financial Reporting Manager



## Annex 2

### STATEMENT OF ASSETS AND OBLIGATIONS AS AT 31 MARCH 2014 PREPARED IN ACCORANCE WITH CNVM REGULATION NO 4/2010 (ANNEX NO. 4)

Item	31 December 2013				31 March 2014				Differences	
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON		RON
<b>I. Total assets</b>	<b>100.4029%</b>	<b>100.0000%</b>		<b>15,074,232,495.90</b>	<b>100.3379%</b>	<b>100.0000%</b>		<b>14,301,444,521.28</b>	<b>(772,787,974.62)</b>	
1 Securities and money market instruments, out of which:	55.4688%	55.2463%		8,327,957,037.42	53.2916%	53.1122%		7,595,793,947.66	(732,163,089.76)	
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	54.6503%	54.4310%		8,205,063,268.47	53.2916%	53.1122%		7,595,793,947.66	(609,269,320.81)	
1.1.1 listed shares traded in the last trading 30 days	54.0258%	53.8089%		8,111,288,173.86	52.6272%	52.4500%		7,501,096,071.07	(610,192,102.79)	
1.1.2 listed shares not traded in the last trading 30 days	0.0667%	0.0665%		10,026,949.09	0.0709%	0.0707%		10,108,125.27	81,176.18	
1.1.3 Government bonds	0.5578%	0.5556%		83,748,145.52	0.5935%	0.5915%		84,589,751.32	841,605.80	
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	0.8185%	0.8153%	EUR 27,402,896.28	122,893,768.95	-	-		-	(122,893,768.95)	
1.2.1 listed shares traded in the last trading 30 days	0.8185%	0.8153%	EUR 27,402,896.28	122,893,768.95	-	-		-	(122,893,768.95)	
1.2.2 listed shares not traded in the last trading 30 days	-	-	-	-	-	-		-	-	
1.3. securities and money market instruments admitted on a stock exchange from a state not a member or negotiates on another regulated market from a state not a member, that operates on a regular basis and is recognized and opened to the public, approved by the Financial Supervisory Authority ("FSA".)	-	-	-	-	-	-		-	-	
2 New issued securities	-	-	-	-	-	-		-	-	
3 Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	42.4618%	42.2914%		6,375,101,372.72	43.7866%	43.6389%		6,241,023,341.32	(134,078,031.40)	
- shares not admitted at trading	42.4618%	42.2914%		6,375,101,372.72	43.7866%	43.6389%		6,241,023,341.32	(134,078,031.40)	
4 Bank deposits, out of which:	1.5459%	1.5398%		232,110,012.77	1.0113%	1.0080%		144,153,767.67	(87,956,245.10)	
4.1. bank deposits made with credit institutions from Romania	1.5459%	1.5398%		232,110,012.77	1.0113%	1.0080%		144,153,767.67	(87,956,245.10)	
- in lei	1.5459%	1.5398%		232,110,012.77	1.0113%	1.0080%		144,153,767.67	(87,956,245.10)	
- in euro	-	-		-	-	-		-	-	
4.2. bank deposits made with credit institutions from an EU state	-	-		-	-	-		-	-	
4.3. bank deposits made with credit institutions from an non-EU state	-	-		-	-	-		-	-	
5 Derivatives financial instruments traded on a regulated market	-	-		-	-	-		-	-	
6 Current accounts and petty cash out of which:	0.0370%	0.0368%		5,552,476.95	0.0089%	0.0089%		1,271,007.45	(4,281,469.50)	
- in lei	0.0114%	0.0113%		1,706,414.35	0.0089%	0.0089%		1,266,474.65	(439,939.70)	
- in euro	0.0256%	0.0255%	EUR 857,477.41	3,845,528.95	-	-	EUR 884.47	3,940.58	(3,841,588.37)	
- in USD	-	-	USD 115.92	377.33	-	-	USD 134.99	436.07	58.74	
- in GBP	-	-	GBP 29.05	156.32	-	-	GBP 29.05	156.15	(0.17)	
7 Money market instruments, others than those traded on a regulated market, according to art. 101 par. (1) letter g) of Law no. 297/2004 regarding the capital market, with subsequent additions and amendments, out of which:	0.8652%	0.8617%		129,887,375.20	1.4349%	1.4300%		204,510,335.81	74,622,960.61	
- Treasury bills with original maturities of less than 1 year	0.8652%	0.8617%		129,887,375.20	1.4349%	1.4300%		204,510,335.81	74,622,960.61	
8 Participation titles of UCITS and/or of OCIU (A.O.P.C./ O.P.C.V.M.)	-	-		-	-	-		-	-	
9 Other assets out of which:	0.0241%	0.0240%		3,624,220.84	0.8046%	0.8020%		114,692,121.37	111,067,900.53	
- receivables related to transactions under settlement	0.0087%	0.0087%	EUR 290,806.08	1,304,178.03	0.7906%	0.7880%		112,693,365.19	111,389,187.16	
- dividend withholding tax to be recovered from Austrian Tax Authorities	0.0069%	0.0069%	EUR 231,495.58	1,038,188.23	0.0072%	0.0072%	EUR 231,495.58	1,031,382.26	(6,805.97)	
- tax on dividends to be recovered from the State Budget	-	-	-	-	-	-		357.00	357.00	
- tax on profit to be recovered from the State Budget	0.0029%	0.0029%	-	436,920.00	-	-		-	(436,920.00)	
- intangible assets	0.0051%	0.0050%	-	760,113.40	0.0050%	0.0050%		711,392.72	(48,720.68)	
- other debts	0.0003%	0.0002%	-	40,939.63	0.0003%	0.0003%		39,683.31	(1,256.32)	
- prepaid expenses	0.0003%	0.0003%	-	43,881.55	0.0015%	0.0015%		215,940.89	172,059.34	
<b>II. Total liabilities</b>	<b>0.4029%</b>	<b>0.4012%</b>		<b>60,490,414.16</b>	<b>0.3379%</b>	<b>0.3368%</b>		<b>48,172,723.99</b>	<b>(12,317,690.17)</b>	
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.0897%	0.0894%		13,471,952.60	0.0927%	0.0924%		13,217,703.93	(254,248.67)	
2 Liabilities related to the fees payable to the depositary bank	0.0013%	0.0012%		188,217.96	0.0010%	0.0010%		145,641.76	(42,576.20)	
3 Liabilities related to the fees payable to intermediaries	0.0135%	0.0135%		2,027,851.77	-	-		-	(2,027,851.77)	
4 Liabilities related to commissions and other bank services	-	-		-	-	-		-	-	
5 Interest payable	-	-		-	-	-		-	-	
6 Issuance expense	-	-		-	-	-		-	-	
7 Liabilities in relation with the fees/commissions to FSA	0.0084%	0.0084%		1,262,976.63	0.0085%	0.0085%		1,216,976.25	(46,000.38)	
8 Audit fees	-	-		-	-	-		-	-	
9 Other Liabilities, out of which:	0.2900%	0.2887%		43,539,415.20	0.2357%	0.2349%		33,592,402.05	(9,947,013.15)	
- tax on profit to be paid to the State Budget	-	-		-	0.0274%	0.0273%		3,909,312.00	3,909,312.00	
- payable dividends	0.0749%	0.0746%		11,250,020.23	0.0723%	0.0721%		10,311,203.61	(938,816.62)	
- tax on dividends	0.0095%	0.0094%		1,423,830.00	-	-		-	(1,423,830.00)	
- provisions for risks and expenses	0.1954%	0.1945%		29,326,244.33	0.0927%	0.0924%		13,215,558.64	(16,110,685.69)	
- payables related to buybacks under settlement	-	-		-	0.0356%	0.0355%		5,078,102.91	5,078,102.91	
- salaries and related contributions	0.0002%	0.0002%		35,825.00	0.0003%	0.0003%		36,380.00	555.00	
- other liabilities out of which:	0.0100%	0.0100%		1,503,495.64	0.0074%	0.0073%		1,041,844.89	(461,650.75)	
- in lei	0.0099%	0.0099%		1,488,640.07	0.0070%	0.0069%		990,613.40	(498,026.67)	
- in euro	0.0001%	0.0001%	EUR 3,312.50	14,855.57	0.0004%	0.0004%	EUR 11,499.00	51,231.49	36,375.92	
- in USD	-	-	-	-	-	-		-	-	
<b>III. Net Asset Value (I - II)</b>	<b>100.0000%</b>	<b>99.5988%</b>		<b>15,013,742,081.74</b>	<b>100.0000%</b>	<b>99.6632%</b>		<b>14,253,271,797.29</b>	<b>(760,470,284.45)</b>	

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

**Unitary Net Asset Value**

Item	31 March 2014	31 December 2013	Differences
<b>Net Asset Value (RON)</b>	14,253,271,797.29	15,013,742,081.74	(760,470,284.45)
Number of outstanding shares	12,065,741,501	12,071,882,101	(6,140,600)
Unitary net asset value	1.1813	1.2436	(0.0623)

**DETAILED STATEMENT OF INVESTMENTS AS AT 31 MARCH 2014**

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

**1.1 listed shares traded in the last 30 trading days**

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value RON	Share value RON	Total value RON	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method*
Alcom SA	ALCQ	20/Feb/2014	89,249	2.5	69.0000	6,158,181.00	71.89%	0.0431%	0.0432%	Reference price - Average price
Alro Slatina SA	ALR	28/Mar/2014	72,884,714	0.5	1.2000	87,461,656.80	10.21%	0.6116%	0.6136%	Closing price
Banca Transilvania SA	TLV	31/Mar/2014	64,723,219	1	1.7250	111,647,552.78	2.93%	0.7807%	0.7833%	Closing price
BRD-Groupe Societe Generale SA	BRD	31/Mar/2014	25,387,456	1	8.2000	208,177,139.20	3.64%	1.4556%	1.4606%	Closing price
Conpet SA	COTE	31/Mar/2014	2,571,461	3.3	48.0000	123,430,128.00	29.70%	0.8630%	0.8660%	Closing price
IOR SA	IORB	18/Mar/2014	2,622,273	0.1	0.3200	839,127.36	2.81%	0.0059%	0.0060%	Reference price - Average price
Nuclearelectrica SA	SNN	31/Mar/2014	27,408,381	10	9.3800	257,090,613.78	9.72%	1.7976%	1.8037%	Closing price
Oil Terminal SA	OIL	31/Mar/2014	39,316,526	0.1	0.1065	4,187,210.02	6.75%	0.0293%	0.0294%	Closing price
OMV Petrom SA	SNP	31/Mar/2014	10,758,648,186	0.1	0.4270	4,593,942,775.42	18.99%	32.1222%	32.2308%	Closing price
Palace SA	PACY	19/Mar/2014	5,832,482	0.1	0.2200	1,283,146.04	15.42%	0.0090%	0.0090%	Reference price - Average price
Primcom SA	PRIB	31/Mar/2014	1,561,981	0.1	7.9900	12,480,228.19	75.48%	0.0873%	0.0876%	Reference price - Average price
Romaero SA	RORX	26/Mar/2014	1,311,691	2.5	14.0000	18,363,674.00	20.99%	0.1284%	0.1288%	Reference price - Average price
Romgaz SA	SNG	31/Mar/2014	57,785,960	1	33.0000	1,906,936,680.00	14.99%	13.3339%	13.3789%	Closing price
Severnaz SA	SEVE	27/Feb/2014	1,971,566	2.5	1.5000	2,957,349.00	39.10%	0.0207%	0.0207%	Reference price - Closing price
Transselectrica SA	TEL	31/Mar/2014	9,895,212	10	16.7900	166,140,609.48	13.49%	1.1617%	1.1656%	Closing price
<b>Total</b>						<b>7,501,096,071.07</b>		<b>52.4500%</b>	<b>52.6272%</b>	

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

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

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value RON	Share value RON	Total value RON	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Comercial Cluj SA	COCL	9/Oct/2013	256,116	2.5	4.0115	1,027,409.33	11.36%	0.0072%	0.0072%	Shareholders equity/share
Forsev S.A.	FORS	26/Nov/2009	954,376	2.5	7.5835	7,237,510.40	28.14%	0.0506%	0.0508%	Shareholders equity/share
Mecon SA	MECP	8/Jan/2014	60,054	11.6	3.1100	186,767.94	12.51%	0.0013%	0.0013%	Fair value / share (last trading price)
Romplumb SA	ROMR	5/Oct/2001	1,595,520	2.5	-	-	33.26%	-	-	Priced at zero (company in insolvency)
Transilvania-Com SA	TRVC	15/Aug/2007	77,234	2.5	21.4470	1,656,437.60	39.99%	0.0116%	0.0116%	Shareholders equity/share
<b>Total</b>						<b>10,108,125.27</b>		<b>0.0707%</b>	<b>0.0709%</b>	

**FONDUL PROPRIETATEA S.A.**

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

## a) Unlisted shares

Issuer	No. of shares held	Date of acquisition*	Acquisition price (total price of acquisition of shares) RON	Share value RON	Total value RON	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Company status	Evaluation method
Aeroportul International Mihail Kogalniceanu - Constanta SA	23,159	19/Jul/2005	1,490,898	203.2355	4,706,730.94	20.00%	0.0329%	0.0330%	Unlisted companies, in function	Shareholders equity/share
Aeroportul International Timisoara - Traian Vuia SA	32,016	19/Jul/2005	2,652,588	193.9870	6,210,687.79	20.00%	0.0434%	0.0436%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
Cetatea SA	354,468	19/Jul/2005	118,840	1.0859	384,916.80	20.43%	0.0027%	0.0027%	Unlisted companies, in function	Shareholders equity/share
CN Administratia Porturilor Fluviale SA	27,554	19/Jul/2005	675,810	128.4952	3,540,556.74	20.00%	0.0247%	0.0248%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	79.8313	16,218,526.91	20.00%	0.1134%	0.1138%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Maritime SA	21,237	19/Jul/2005	1,351,671	-	-	20.00%	-	-	Unlisted companies, in function	Fair value/share: NIL
CN Administratia Porturilor Maritime SA	2,651,113	19/Jul/2005	65,441,294	25.0479	66,404,813.31	19.99%	0.4643%	0.4659%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
CN Aeroporturi Bucuresti SA **	2,875,443	5/Feb/2010	131,168,263	100.0381	287,653,854.38	20.00%	2.0114%	2.0182%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Complexul Energetic Oltenia SA****	27,361,036	31/May/2012	670,084,812	11.7555	321,642,658.70	21.53%	2.2490%	2.2566%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Comsig SA	75,655	19/Jul/2005	132,633	21.5321	1,629,011.03	69.94%	0.0114%	0.0114%	Unlisted companies, in function	Shareholders equity/share
E.ON Gaz Distributie SA	13,557,204	19/Jul/2005	38,468,154	12.1854	165,199,953.62	12.00%	1.1551%	1.1590%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
E.ON Energie Romania SA	9,903,524	19/Jul/2005	45,765,358	6.5765	65,130,525.59	13.39%	0.4554%	0.4570%	Unlisted companies, in function	Shareholders equity/share
E.ON Moldova Distributie SA	10,994,457	19/Jul/2005	131,073,011	31.4121	345,358,982.73	22.00%	2.4149%	2.4230%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Electrica Distributie Muntenia Nord SA	7,796,022	19/Jul/2005	165,221,141	37.9937	296,199,721.06	21.99%	2.0711%	2.0781%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Electrica Distributie Transilvania Nord SA	8,167,813	19/Jul/2005	113,299,904	25.3066	206,699,576.47	22.00%	1.4453%	1.4502%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Electrica Distributie Transilvania Sud SA	9,327,282	19/Jul/2005	125,918,629	20.5847	191,999,301.79	21.99%	1.3425%	1.3471%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Electroconstructia Elco Cluj SA	322,530	19/Jul/2005	319,656	2.2248	717,564.74	7.61%	0.0050%	0.0050%	Unlisted companies, in function	Shareholders equity/share
ENEL Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	62.1702	573,249,281.61	24.12%	4.0083%	4.0219%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
ENEL Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	56.1384	379,109,744.78	24.09%	2.6508%	2.6598%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Enel Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	145.2741	473,069,998.14	12.00%	3.3078%	3.3190%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	103.3027	45,871,977.15	12.00%	0.3208%	0.3218%	Unlisted companies, in function	Shareholders equity/share
ENEL Energie SA	1,680,000	19/Jul/2005	26,124,808	32.3173	54,293,064.00	12.00%	0.3796%	0.3809%	Unlisted companies, in function	Shareholders equity/share
GDF Suez Energy Romania	2,381,863	19/Jul/2005	62,522,462	169.7872	404,409,849.55	12.00%	2.8278%	2.8373%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Plafar SA	132,784	28/Jun/2007	3,160,329	36.0686	4,789,332.98	48.99%	0.0335%	0.0336%	Unlisted companies, in function	Shareholders equity/share
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	4.0875	60,789,083.36	25.00%	0.4251%	0.4265%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Salubriserv SA	43,263	19/Jul/2005	207,601	248.6356	10,756,721.96	17.48%	0.0752%	0.0755%	Unlisted companies, in function	Shareholders equity/share
Societatea Nationala a Sarii SA	2,005,884	28/Jun/2007	76,347,715	53.0187	106,349,362.03	48.99%	0.7436%	0.7461%	Unlisted companies, in function	Fair value (Shareholder equity adjusted with dividends declared/share)
World Trade Hotel SA	17,912	19/Jul/2005	17,912	0.8335	14,929.65	19.90%	0.0001%	0.0001%	Unlisted companies, in function	Shareholders equity/share
Zirom SA	4,735,921	28/Jun/2007	47,146,452	9.1775	43,463,914.98	100.00%	0.3039%	0.3050%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Electrica Furnizare SA ***	1,366,412	22/Jul/2011	17,819,672	-	-	22.00%	-	-	Unlisted companies, in function	Fair value/share: NIL
BAT Service SA	194,022	19/Jul/2005	656,686	-	-	33.00%	-	-	Dissolution	Priced at zero
Carbid Fox SA	10,191,630	19/Jul/2005	927,357	-	-	7.96%	-	-	Bankruptcy	Priced at zero
FECNE SA	778,442	19/Jul/2005	-	-	-	12.12%	-	-	Bankruptcy	Priced at zero
Gerovital Cosmetics SA	1,350,988	19/Jul/2005	340,996	-	-	9.76%	-	-	Dissolution	Priced at zero
Hydroelectrica SA	89,261,778	19/Jul/2005	3,106,503,426	23.5841	2,105,158,698.53	19.94%	14.7199%	14.7697%	Judicial reorganisation	Fair value / share (Value as per independent valuator's report)
Petrotel - Lukoil SA	2,152,291	19/Jul/2005	2,787,316	-	-	1.78%	-	-	Unlisted companies, in function	Priced at zero (negative equity)
Simtex SA	132,859	28/Jun/2007	3,059,858	-	-	30.00%	-	-	Judicial reorganisation	Priced at zero
World Trade Center Bucuresti SA	198,860	19/Jul/2005	42,459	-	-	19.90%	-	-	Insolvency	Priced at zero
<b>Total</b>			<b>5,307,156,314</b>		<b>6,241,023,341.32</b>		<b>43.6389%</b>	<b>43.7866%</b>		

**Legend:**

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

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

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

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

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

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

## Treasury bills with discount

Series and number of the bond	No of bonds	Date of acquisition	Maturity date	Initial value RON	Daily interest RON	Cumulative interest RON	Current value RON	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Intermediary Bank	Evaluation method
RO1314CTN0E7	10,800	23/Dec/2013	30/Apr/2014	53,482,762.26	4,040.92	400,051.07	53,882,813.33	0.3768%	0.3780%	Raiffeisen Bank	Acquisition price cumulated with the related interest since the acquisition date
RO1314CTN0E7	10,000	6/Jan/2014	30/Apr/2014	49,587,022.75	3,622.61	307,921.64	49,894,944.39	0.3489%	0.3501%	Raiffeisen Bank	
RO1314CTN0F4	5,000	13/Jan/2014	4/Jun/2014	24,807,234.00	1,357.51	105,885.55	24,913,119.55	0.1742%	0.1748%	Raiffeisen Bank	
RO1314CTN0B3	3,500	12/Mar/2014	6/Aug/2014	34,611,343.46	2,643.92	52,878.44	34,664,221.90	0.2424%	0.2432%	ING Bank	
RO1314CTN0C1	1,800	12/Mar/2014	17/Sep/2014	17,740,151.10	1,374.86	27,497.24	17,767,648.34	0.1242%	0.1247%	Banca Comerciala Romana	
<b>Total</b>	2,370	12/Mar/2014	17/Sep/2014	23,350,616.50	1,848.59	36,971.80	<b>204,510,335.81</b>	<b>1.4300%</b>	<b>1.4349%</b>		

## Government bonds

Issuer	ISIN code	Date of the last trading session	No. of bonds	Date of acquisition	Coupon date	Due Date	Initial Value RON	Daily interest RON	Cumulated interest RON	Cumulated discount	Market price	Current value RON	stake in FP total assets	Stake in FP net asset	Evaluation method
Ministry of Finance	RO1214DBN027	29/Jan/2014	4,647	14/Aug/2013	23/Apr/2013	23/Apr/2014	47,136,419	7,575.25	2,598,309.57	-	10,085.10	49,463,769.27	0.3459%	0.3470%	Closing price (Gross price)
Ministry of Finance	RO1214DBN027	29/Jan/2014	3,300	20/Dec/2013	23/Apr/2013	23/Apr/2014	33,333,912	5,379.45	1,845,152.05	-	10,085.10	35,125,982.05	0.2456%	0.2464%	
<b>Total</b>												<b>84,589,751.32</b>	<b>0.5915%</b>	<b>0.5935%</b>	

## Term deposits

Name of the bank	Starting date	Maturity date	Initial value	Daily Interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
BRD Groupe Societe Generale	26/Mar/2014	8/Apr/2014	RON 34,900,000.00	RON 1,454.17	RON 8,725.00	RON 34,908,725.00	0.2441%	0.2449%	Term deposit value cumulated with the related interest
ING Bank	28/Mar/2014	10/Apr/2014	RON 19,900,000.00	RON 829.17	RON 3,316.67	RON 19,903,316.67	0.1392%	0.1396%	
Banca Comerciala Romana	24/Mar/2014	2/Apr/2014	RON 35,500,000.00	RON 1,479.17	RON 11,833.33	RON 35,511,833.33	0.2483%	0.2491%	
CITI Bank	24/Mar/2014	4/Apr/2014	RON 35,500,000.00	RON 1,676.39	RON 13,411.11	RON 35,513,411.11	0.2483%	0.2492%	
BRD Groupe Societe Generale	31/Mar/2014	1/Apr/2014	RON 9,116,953.03	RON 503.96	RON 503.96	RON 9,117,456.99	0.0638%	0.0640%	
BRD Groupe Societe Generale	31/Mar/2014	1/Apr/2014	RON 9,198,643.85	RON 380.72	RON 380.72	RON 9,199,024.57	0.0643%	0.0645%	
<b>TOTAL</b>						<b>144,153,767.67</b>	<b>1.0080%</b>	<b>1.0113%</b>	

## Evolution of the net asset and the net asset unitary value in the last 3 years

	Year T-1 / 31 Dec 2012	Year T/ 31 Dec 2013	Year T/ 31 Mar 2014
Net Asset (RON)	14,979,202,005.64	15,013,742,081.74	14,253,271,797.29
NAV/share	1.1371	1.2436	1.1813

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

Oana Truta  
Legal representative

Marius Nechifor  
Compliance Officer

BRD Groupe Societe Generale

Victor Strâmbei  
Manager Depository Department

Claudia Ionescu  
Director

## Annex 3

### **FONDUL PROPRIETATEA S.A.**

#### **CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014**

Prepared in accordance with IAS 34 Interim Financial Reporting

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**CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014**  
**(all amounts are in RON unless otherwise stated)**

	<i>Note</i>	<b>3 months ended 31 March 2014</b>	<b>3 months ended 31 March 2013 (restated)</b>
Interest income		3,657,724	10,516,874
Reversal of impairment losses on dividends receivable, net		9,598	-
Net gain from equity instruments at fair value through profit or loss	6	-	264,716,171
Reversal of impairment losses on receivables in respect of equity contributions, net		-	23,500
Gross dividend income		-	26,658
Other operating income, net		13,206	176,526
<b>Total revenue</b>		<b>3,680,528</b>	<b>275,459,729</b>
Net loss from equity instruments at fair value through profit or loss	6	(614,154,680)	-
Net foreign exchange losses		(387,065)	(1,465)
Personnel expenses		(272,550)	(170,168)
Impairment losses on other assets		(3,269)	(188,453)
Other operating expenses	5	(21,848,688)	(15,757,420)
<b>Total expenses</b>		<b>(636,666,252)</b>	<b>(16,117,506)</b>
<b>Gain /(Loss) before income tax</b>		<b>(632,985,724)</b>	<b>259,342,223</b>
Income tax expense	7	(4,688,421)	(41,521,260)
<b>Profit / (Loss) of the period</b>		<b>(637,674,145)</b>	<b>217,820,963</b>
<b>Basic and diluted earnings per share</b>		<b>(0.0466)</b>	<b>0.0158</b>

The financial statements were authorised for issue on 14 May 2014 by:

Oana Truța

as Legal Representative on behalf of

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

The notes on pages 43 to 62 are an integral part of these financial statements.

**CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014**  
**(all amounts are in RON unless otherwise stated)**

	<i>Note</i>	<b>31 March 2014</b>	<b>31 December 2013</b> (restated)
<b>Assets</b>			
Cash and current accounts		1,271,008	5,552,477
Deposits with banks		144,153,768	232,110,013
Treasury bills		204,510,336	129,887,375
Government bonds		84,589,751	83,748,146
Equity investments at fair value through profit or loss	8	13,745,654,408	14,478,487,422
Deferred tax assets	9	-	342,189
Other assets	10	114,692,122	3,624,221
<b>Total assets</b>		<b>14,294,871,393</b>	<b>14,933,751,843</b>
<b>Liabilities</b>			
Other liabilities	11	46,140,034	42,268,236
<b>Total liabilities</b>		<b>46,140,034</b>	<b>42,268,236</b>
<b>Equity</b>			
Share capital	12	13,538,087,407	13,778,392,208
Other reserves	12	432,594,969	312,558,751
Treasury shares	12	(979,902,770)	(1,095,093,250)
Retained earnings		1,257,951,753	1,895,625,898
<b>Total equity</b>		<b>14,248,731,359</b>	<b>14,891,483,607</b>
<b>Total liabilities and equity</b>		<b>14,294,871,393</b>	<b>14,933,751,843</b>

The notes on pages 43 to 62 are an integral part of these financial statements.



**CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 MARCH 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
<b>Balance at 1 January 2013, as previously reported</b>	13,778,392,208	2,494,319,443	278,451,031	(120,268,583)	(4,041,837,328)	12,389,056,771
Impact of changes in accounting policies	-	(2,494,319,443)	-	-	4,986,279,525	2,491,960,082
<b>Restated balance at 1 January 2013</b>	13,778,392,208	-	278,451,031	(120,268,583)	944,442,197	14,881,016,853
<b>Comprehensive income for the period</b>						
Profit for the period	-	-	-	-	217,820,963	217,820,963
<b>Balance at 31 March 2013</b>	<u>13,778,392,208</u>	<u>-</u>	<u>278,451,031</u>	<u>(120,268,583)</u>	<u>1,162,263,160</u>	<u>15,098,837,816</u>

The notes on pages 43 to 62 are an integral part of these financial statements.

**CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 MARCH 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
<b>Balance at 1 January 2014, as previously reported</b>	<b>13,778,392,208</b>	<b>7,174,887,404</b>	<b>312,558,751</b>	<b>(1,095,093,250)</b>	<b>(5,449,718,845)</b>	<b>14,721,026,268</b>
Impact of changes in accounting policies	-	(7,174,887,404)	-	-	7,345,344,743	170,457,339
<b>Restated balance at 1 January 2014</b>	<b>13,778,392,208</b>	<b>-</b>	<b>312,558,751</b>	<b>(1,095,093,250)</b>	<b>1,895,625,898</b>	<b>14,891,483,607</b>
<b>Comprehensive income for the period</b>						
Loss for the period	-	-	-	-	(637,674,145)	(637,674,145)
<b>Transactions with owners, recorded directly in equity</b>						
Acquisition of treasury shares	-	-	-	(5,078,103)	-	(5,078,103)
Cancellation of treasury shares bought in the first buyback program	(240,304,801)	-	120,036,218	120,268,583	-	-
<b>Total transactions with owners recorded directly in equity</b>	<b>(240,304,801)</b>	<b>-</b>	<b>120,036,218</b>	<b>115,190,480</b>	<b>-</b>	<b>(5,078,103)</b>
<b>Balance at 31 March 2014</b>	<b>13,538,087,407</b>	<b>-</b>	<b>432,594,969</b>	<b>(979,902,770)</b>	<b>1,257,951,753</b>	<b>14,248,731,359</b>

The notes on pages 43 to 62 are an integral part of these financial statements.

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014  
(all amounts are in RON unless otherwise stated)**

	<b>3 months ended 31 March 2014</b>	<b>3 months ended 31 March 2013</b>
<b>Cash flows from operating activities</b>		
Proceeds from sale of equity instruments	2,998,741	804,550
Disposals and maturity of treasury bills and bonds	104,261,578	364,037,877
Acquisitions of treasury bills and bonds	(180,006,139)	(440,328,767)
Interest received	3,325,622	8,136,613
Dividends received (net of withholding tax)	9,553	799,994
Realised foreign exchange loss on cash and cash equivalents	(6,534)	(869)
Collection of bank deposits maturing in more than three months, net	-	(45,000,000)
Interest and penalties received in relation with the dividends late payments	9,979	190,680
Other receipts	3,749,677	-
Salaries and related taxes paid	(271,995)	(163,886)
Suppliers and other taxes and fees paid	(23,894,488)	(15,887,872)
<b>Net cash flows from operating activities</b>	<b>(89,824,006)</b>	<b>(127,411,680)</b>
<b>Cash flows from financing activities</b>		
Dividends paid (including related taxes)	(2,363,004)	(2,028,585)
<b>Net cash flows used in financing activities</b>	<b>(2,363,004)</b>	<b>(2,028,585)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(92,187,010)</b>	<b>(129,440,265)</b>
Cash and cash equivalents at the beginning of the period	237,573,615	317,885,971
<b>Cash and cash equivalents at the end of the period</b>	<b>145,386,605</b>	<b>188,445,706</b>
	<b>31 March 2014</b>	<b>31 March 2013</b>
Cash	1,271,008	1,228,157
Bank deposits with original maturities of less than three months	144,115,597	187,217,549
	<b>145,386,605</b>	<b>188,445,706</b>

The notes on pages 43 to 62 are an integral part of these financial statements.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014  
(all amounts are in RON unless otherwise stated)**

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## **1. General information**

Fondul Proprietatea S.A. (referred to as “Fondul Proprietatea” or “the Fund”) is an undertaking for collective investments, in the form of a closed end investment company, established in accordance with Law no. 247/2005 regarding the reform in property and justice, as well as certain adjacent measure, as subsequently amended (“Law 247/2005”) and registered in Bucharest on 28 December 2005. The address of the Fund’s registered office is 78 - 80, Buzești Street, 7th Floor, District 1, Bucharest.

The Fund undertakes its activities in accordance with Law 247/2005, Law 297/2004 regarding the capital market, with subsequent amendments, and Law 31/1990 regarding companies, republished with subsequent amendments (“Law 31/1990”) and it is an entity regulated and monitored by the Financial Supervisory Authority (“FSA”), former National Securities Commission (“CNVM”).

In accordance with its constitutive act, the main activity of the Fund is the management and administration of its portfolio.

The Fund was established to allow the payment in shares equivalent of compensations in respect of abusive expropriations undertaken by the Romanian State during the communist period, when properties were not returned in kind.

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch (“Fund Manager” or “FTIML”) was appointed on 29 September 2010 as the Fund Manager and Sole Director of the Fund.

Since 25 January 2011 Fondul Proprietatea has been a listed company on the spot regulated market managed by the Bucharest Stock Exchange in Tier I (Shares) of the Securities Sector of the market, under ISIN number ROFPTAACNOR5, with the market symbol “FP”.

These condensed financial statements for the three month period ended 31 March 2014 are not audited.

## **2. Basis of preparation**

### **(a) Statement of compliance**

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

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

Due to the application of the *Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)*, being an investment entity, the Fund shall not consolidated its subsidiaries starting 1 January 2014. In consequence, the Fund will not prepare consolidated financial statements starting 1 January 2014.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014  
(all amounts are in RON unless otherwise stated)**

**2. Basis of preparation (continued)**

**(b) Basis of measurement**

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

**(c) Functional and presentation currency**

These financial statements are presented in Romanian Lei (RON), which is the Fund's functional currency. All financial information presented in RON has been rounded to the nearest unit.

**(d) Use of estimates**

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 5 – Other operating expenses
- Note 8 – Equity investments;
- Note 9 – Deferred tax assets;
- Note 11 – Other liabilities;
- Note 13 – Contingencies.

**3. Significant accounting policies**

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Fund's financial statements as at and for the year ended 31 December 2013. The following changes in accounting policies are also expected to be reflected in the Fund's financial statements as at and for the year ending 31 December 2014.

***Application of Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)***

The Fund applied *Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)* starting 1 January 2014, when these Amendments became effective.

Analysing the criteria presented in the Amendments, the management concluded that Fondul Proprietatea meets the definition of an investment entity. As a result, the Fund changed its accounting policies for its investments in subsidiaries and associates, as well as for all the other equity investments, classifying and measuring them at fair value through profit or loss.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014  
(all amounts are in RON unless otherwise stated)**

**3. Significant accounting policies (continued)**

*Restatement of comparative information*

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

In this respect, the Fund retrospectively adjusted both the period that immediately precedes the date of initial application (31 March 2013 or 31 December 2013) and equity at the beginning of the immediately preceding period (1 January 2013) for the difference between the previous carrying value of the equity investments and the fair value of the equity investments.

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

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

*Statement of financial position*

	31 December 2013	Adjustments	31 December 2013
	As previously reported (in separate financial statements)		As restated
<b>Assets</b>			
Cash and current accounts	5,552,477	-	5,552,477
Deposits with banks	232,110,013	-	232,110,013
Treasury bills	129,887,375	-	129,887,375
Government bonds	83,748,146	-	83,748,146
Equity investments	14,308,030,083	170,457,339	14,478,487,422
Deferred tax assets	342,189	-	342,189
Other assets	3,624,221	-	3,624,221
<b>Total assets</b>	<b>14,763,294,504</b>	<b>170,457,339</b>	<b>14,933,751,843</b>
<b>Liabilities</b>			
Other liabilities	42,268,236	-	42,268,236
<b>Total liabilities</b>	<b>42,268,236</b>	<b>-</b>	<b>42,268,236</b>
<b>Equity</b>			
Share capital	13,778,392,208	-	13,778,392,208
Fair value reserve on available- for-sale financial assets	7,174,887,404	(7,174,887,404)	-
Other reserves	312,558,751	-	312,558,751
Treasury shares	(1,095,093,250)	-	(1,095,093,250)
Retained earnings	(5,449,718,845)	7,345,344,743	1,895,625,898
<b>Total equity</b>	<b>14,721,026,268</b>	<b>170,457,339</b>	<b>14,891,483,607</b>
<b>Total liabilities and equity</b>	<b>14,763,294,504</b>	<b>170,457,339</b>	<b>14,933,751,843</b>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014  
(all amounts are in RON unless otherwise stated)**

**3. Significant accounting policies (continued)**

*Statement of comprehensive income*

	3 months ended 31 March 2013 As previously reported (in separate financial statements)	Adjustments	3 months ended 31 March 2013 As restated
Interest income	10,516,874	-	10,516,874
Reversal of impairment losses on disposed equity investments	59,950	(59,950)	-
Net gain from equity instruments at fair value through profit or loss	-	264,716,171	264,716,171
Reversal of impairment losses on receivables in respect of equity contributions, net	23,500	-	23,500
Gross dividend income	26,658	-	26,658
Other operating income, net	176,526	-	176,526
<b>Total revenue</b>	<b>10,803,508</b>	<b>264,656,221</b>	<b>275,459,729</b>
Loss on disposal of equity investments	(390,937)	390,937	-
Net foreign exchange losses	(1,465)	-	(1,465)
Personnel expenses	(170,168)	-	(170,168)
Impairment losses on other assets	(188,453)	-	(188,453)
Other operating expenses	(15,757,420)	-	(15,757,420)
<b>Total expenses</b>	<b>(16,508,443)</b>	<b>390,937</b>	<b>(16,117,506)</b>
<b>Gain /(Loss) before income tax</b>	<b>(5,704,935)</b>	<b>265,047,158</b>	<b>259,342,223</b>
Income tax benefit / (expense)	890,653	(42,411,913)	(41,521,260)
<b>Profit / (Loss) of the period</b>	<b>(4,814,282)</b>	<b>222,635,245</b>	<b>217,820,963</b>
<b>Other comprehensive income</b>			
Net change in fair value of available-for-sale equity investments	259,384,917	(259,384,917)	-
Deferred tax on other comprehensive income	(41,501,587)	41,501,587	-
<b>Total other comprehensive income</b>	<b>217,883,330</b>	<b>(217,883,330)</b>	-
<b>Total comprehensive income for the period</b>	<b>213,069,048</b>	<b>4,751,915</b>	<b>217,820,963</b>
<b>Basic and diluted earnings per share</b>	<b>(0.0003)</b>		<b>0.0158</b>

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014  
(all amounts are in RON unless otherwise stated)**

**3. Significant accounting policies (continued)**

**(a) Subsidiaries and associates**

The *Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)* introduced an exception to the principle in *IFRS 10 Consolidated Financial Statements*, that all subsidiaries shall be consolidated. Being an investment entity, the Fund is required, throughout the current period and all comparative periods presented, to apply the exception to consolidation for all of its subsidiaries in accordance with IFRS 10, and it will present the separate financial statements as its only financial statements.

The Amendments define an investment entity and require a parent that is an investment entity to measure its investments in subsidiaries at fair value through profit or loss instead of consolidating those subsidiaries in its consolidated financial statements.

Before adoption of the Amendments, given the materiality consideration, investments in subsidiaries of the Fund were accounted in accordance with *IAS 39 Financial Instruments: Recognition and Measurement*, as available-for-sale financial assets, in both separate and consolidated financial statements, with changes in fair value recorded in other comprehensive income.

Before adoption of the Amendments, the Fund accounting for the investments in associates using equity method in the consolidated financial statements. In the separate financial statements, the investments in associates were accounted for in accordance with *IAS 39*, as available-for-sale financial assets, with changes in fair value recorded in other comprehensive income.

**(b) Financial assets and liabilities: Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence, the most advantageous market to which the Fund has access at that date.

When available, the Fund measures the fair value of an equity instrument using quoted prices in an active market for that instrument at the reporting date. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair values of financial assets - equity instruments that are not traded in an active market - are determined either by independent valuers, using valuation techniques (for the main part of the portfolio) or are considered to be equivalent to the values used in the calculation of the net asset value of the Fund, determined in accordance to the regulations issued by the FSA/CNVM and reported monthly (for the remaining part of the portfolio). The latter are estimated as follows:

- using the shareholders' equity as per the most recently available annual financial statements of the issuers (adjusted with the dividends declared by that issuer, if the case) proportionally with the stake held by the Fund;
- valued at zero, for holdings in companies in liquidation, dissolution, bankruptcy or with negative shareholders' equity; companies in insolvency or reorganisation are valued either at zero or at the value provided by an independent valuator;
- fair values internally assessed using assumptions that are based on market conditions existing at each reporting date.

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



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014  
(all amounts are in RON unless otherwise stated)**

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**3. Significant accounting policies (continued)**

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

As a result of the application of the *Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)* starting 1 January 2014, the Fund changed its accounting policies for its investments in subsidiaries and associates, as well as for all the other equity investments, classifying and measuring them at fair value through profit or loss.

In this respect, the Fund retrospectively adjusted both the period that immediately precedes the date of initial application and equity at the beginning of the immediately preceding period (1 January 2013) for the difference between the previous carrying value of the equity investments and the fair value of the equity investments.

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

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

Equity investments at fair value through profit or loss are initially recognised at fair value and transaction costs are recorded in the profit or loss. Subsequent measurement is at fair value and all changes in fair value are accounted through profit or loss.

**(d) Available-for-sale financial assets**

The Fund's financial assets classified as available-for-sale are the investments in treasury bills and government bonds. All equity investments previously classified under this category were classified as equity investments at fair value through profit or loss as a result of the application of the *Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)*, in both current and restated periods.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014**  
(all amounts are in RON unless otherwise stated)

**4. Financial assets and financial liabilities**

**Accounting classifications and fair values**

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

	<b>Loans and receivables</b>	<b>Held to maturity</b>	<b>Available-for- sale</b>	<b>At fair value through profit or loss</b>	<b>Other amortised cost</b>	<b>Total carrying amount</b>	<b>Fair value</b>
<b>31 March 2014</b>							
Cash and current accounts	1,271,008	-	-	-	-	1,271,008	1,271,008
Deposits with banks	144,153,768	-	-	-	-	144,153,768	144,153,768
Treasury bills	-	-	204,510,336	-	-	204,510,336	204,510,336
Government bonds	-	-	84,589,751	-	-	84,589,751	84,589,751
Equity investments	-	-	-	13,745,654,408	-	13,745,654,408	13,745,654,408
Other receivables	114,692,122	-	-	-	-	114,692,122	114,692,122
Other liabilities	-	-	-	-	(46,140,034)	(46,140,034)	(46,140,034)
	<b>260,116,898</b>	<b>-</b>	<b>289,100,087</b>	<b>13,745,654,408</b>	<b>(46,140,034)</b>	<b>14,248,731,359</b>	<b>14,248,731,359</b>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014  
(all amounts are in RON unless otherwise stated)**

**4. Financial assets and financial liabilities (continued)**

	Loans and receivables	Held to maturity	Available-for- sale	At fair value through profit or loss	Other amortised cost	Total carrying amount	Fair value
<b>31 December 2013</b>							
Cash and current accounts	5,552,477	-	-	-	-	5,552,477	5,552,477
Deposits with banks	232,110,013	-	-	-	-	232,110,013	232,110,013
Treasury bills	-	-	129,887,375	-	-	129,887,375	129,887,375
Government bonds	-	-	83,748,146	-	-	83,748,146	83,748,146
Equity investments	-	-	-	14,478,487,422	-	14,478,487,422	14,478,487,422
Other receivables	3,624,221	-	-	-	-	3,624,221	3,624,221
Other liabilities	-	-	-	-	(42,268,236)	(42,268,236)	(42,268,236)
	<b>241,286,711</b>	<b>-</b>	<b>213,635,521</b>	<b>14,478,487,422</b>	<b>(42,268,236)</b>	<b>14,891,141,418</b>	<b>14,891,141,418</b>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014  
(all amounts are in RON unless otherwise stated)**

**5. Other operating expenses**

	<b>3 months ended 31 March 2014</b>	<b>3 months ended 31 March 2013</b>
Investment management and administration fees	13,217,704	9,801,266
Financial Supervisory Authority fees	3,663,439	3,824,548
Depositary fee	438,701	450,116
Brokerage fees for selling of holdings in portfolio companies	179,981	-
Third party services	2,840,640	1,572,005
Other operating expenses	1,508,223	109,485
	<b><u>21,848,688</u></b>	<b><u>15,757,420</u></b>

**6. Net gain / (losses) from equity investments at fair value through profit or loss**

	<b>3 months ended 31 March 2014</b>	<b>3 months ended 31 March 2013</b>
Realised net gain / (loss) from equity instruments	(9,193,431)	(312,135)
Unrealised net gain / (loss) from equity instruments	(604,961,249)	265,028,306
<b>Total</b>	<b><u>(614,154,680)</u></b>	<b><u>264,716,171</u></b>

Realised net gain / (loss) from equity instruments was calculated as the difference between the proceeds from the disposal of equity investments during the period and the fair value of the equity investments disposed of at the beginning of the period.

**7. Income tax**

	<b>3 months ended 31 March 2014</b>	<b>3 months ended 31 March 2013</b>
<b>Current tax expense</b>		
Current tax (16%)	(4,346,232)	-
Dividend withholding tax	-	(4,265)
	<b><u>(4,346,232)</u></b>	<b><u>(4,265)</u></b>
<b>Deferred tax related to:</b>		
Equity investments	-	(42,417,137)
Fiscal loss carried forward	(342,189)	900,142
	<b><u>(342,189)</u></b>	<b><u>(41,516,995)</u></b>
<b>Income tax expense</b>	<b><u>(4,688,421)</u></b>	<b><u>(41,521,260)</u></b>

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**7. Income tax (continued)**

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

	<b>3 months ended 31 March 2014</b>	<b>3 months ended 31 March 2013</b>
<b>Reconciliation of effective tax rate</b>		
Profit / (Loss) for the period	(637,674,145)	217,820,963
Income tax expense	(4,688,421)	(41,521,260)
<b>Profit/ (loss) excluding income tax</b>	<b>(632,985,724)</b>	<b>259,342,223</b>
<b>Income tax using the standard tax rate (16%)</b>	<b>101,277,716</b>	<b>(41,494,756)</b>
Effect of:		
Cancellation of treasury shares (gain on cancellation)	(19,205,795)	-
Other non-taxable income	81,535	3,760
Other non-deductible expenses	(95,563)	(30,264)
Impact of non-recognition of deferred tax on change in fair value of equity investments	(86,746,314)	-
<b>Income tax expense</b>	<b>(4,688,421)</b>	<b>(41,521,260)</b>

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 March 2014 and 31 December 2013, the Fund did not recognise deferred tax in respect of equity investments which did not meet the criteria described above. The Fund has assessed the resulting deferred tax asset, but does not consider the likelihood of sufficient future taxable profits to offset this credit to be probable. As such the recoverability of this asset would be limited and as a result, no asset has been recognised.

**8. Equity investments**

As a result of the application of the *Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)* starting 1 January 2014, the Fund changed its accounting policies and classified all its equity investments at fair value through profit or loss.

In this respect, the Fund retrospectively adjusted both the period that immediately precedes the date of initial application (31 December 2013 or 31 March 2013) and equity at the beginning of the immediately preceding period (1 January 2013) for the difference between the previous carrying value of the equity investments and the fair value of the equity investments.

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**8. Equity investments (continued)**

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

	<b>Total equity investments</b>
<b>1 January 2013 - as previously reported</b>	<b>11,269,744,338</b>
Impact of changes in accounting policies	2,970,433,410
<b>Restated balance at 1 January 2013</b>	<b>14,240,177,748</b>
Shares contributions in kind by State	23,500
Disposals	(1,276,684)
Net gain from measurement at fair value through profit or loss	265,028,306
<b>31 March 2013</b>	<b>14,503,952,870</b>
<b>1 January 2014 - as previously reported</b>	<b>14,308,030,083</b>
Impact of changes in accounting policies	170,457,339
<b>Restated balance at 1 January 2014</b>	<b>14,478,487,422</b>
Disposals	(124,123,011)
Decrease of portfolio company share capital	(3,748,754)
Net loss from measurement at fair value through profit or loss	(604,961,249)
<b>31 March 2014</b>	<b>13,745,654,408</b>

During the first quarter of 2014, the Fund sold its entire holdings in Resib SA, Turdapan SA, Erste Group Bank AG, Raiffeisen Bank International AG and part of its holding in Oil Terminal SA.

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

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**8. Equity investments (continued)**

The Fund's equity portfolio detail was the following:

	<b>31 March 2014</b>	<b>31 December 2013</b>
<b>Equity investments at fair value through profit and loss</b>		
OMV Petrom S.A.	4,593,942,775	5,054,412,918
Hydroelectrica S.A.	2,105,161,000	2,105,161,000
Romgaz S.A.	1,906,936,680	1,975,701,972
Enel Distributie Banat S.A.	573,250,000	573,250,000
Enel Distributie Muntenia S.A.	473,070,000	473,070,000
GDF Suez Energy Romania	404,410,000	404,410,000
Enel Distributie Dobrogea S.A.	379,110,000	379,110,000
E.ON Moldova Distributie S.A.	345,359,000	345,359,000
Complexul Energetic Oltenia S.A.	321,644,000	321,644,000
Electrica Distributie Muntenia Nord S.A.	296,200,000	296,200,000
CN Aeroporturi Bucuresti S.A.	287,654,000	287,654,000
Nuclearelectrica S.A.	257,090,614	306,699,783
BRD - Groupe Societe Generale S.A.	208,177,139	228,487,104
Electrica Distributie Transilvania Nord S.A.	206,700,000	206,700,000
Electrica Distributie Transilvania Sud S.A.	192,000,000	192,000,000
Transelectrica S.A.	166,140,609	156,245,397
E.ON Gaz Distributie S.A.	165,200,000	165,200,000
Conpet S.A.	123,430,128	115,715,745
Banca Transilvania S.A.	111,647,553	106,793,311
Societatea Nationala a Sarii S.A.	106,349,362	106,349,362
Alro Slatina S.A.	87,461,657	105,464,181
Administratia Porturilor Maritime S.A.	66,404,813	66,404,813
E.ON Energie Romania S.A .	65,130,526	65,130,526
Posta Romana S.A.	60,790,000	60,790,000
Enel Energie S.A.	54,293,064	54,293,064
Enel Energie Muntenia S.A.	45,871,977	45,871,977
Zirom S.A.	43,464,000	43,464,000
Erste Group Bank AG	-	45,100,460
Raiffeisen Bank International AG	-	77,793,309
Other	98,765,510	114,011,498
<b>Total</b>	<b>13,745,654,408</b>	<b>14,478,487,422</b>

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.

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**8. Equity investments (continued)**

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 March 2014:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value through profit and loss	7,459,014,365	-	6,286,640,043	13,745,654,408
Treasury bills	204,510,336	-	-	204,510,336
Government bonds	84,589,751	-	-	84,589,751
	<b>7,748,114,452</b>	<b>-</b>	<b>6,286,640,043</b>	<b>14,034,754,495</b>

At 31 December 2013:

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

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset. The determination of what constitutes observable requires significant judgments by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The fair values of equity instruments classified under Level 3 are determined either by independent valuers, using valuation techniques (for the main part of the portfolio) or are considered to be equivalent to the values used in the calculation of the net asset value of the Fund, determined in accordance to the regulations issued by the FSA/CNVM and reported monthly (for the remaining part of the portfolio).

There was no information known or available to the Fund's management which may have significant impact on the fair values of the equity investments as at 31 March 2014, as they are presented in these condensed interim financial statements.



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**8. Equity investments (continued)**

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties to the extent that the Fund believes that a third party market participant would take into account in pricing a transaction. As a result of strong volatility in the capital market and severe restrictions in the credit markets both globally and in Romania, notwithstanding any potential economic stabilisation measures that may be put into place by the Romanian State, economic uncertainties arose surrounding the continual availability and cost of credit for the Fund's counterparties, future development of the market and demand for goods and services they produce. The potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets of the Fund may be not recovered at their carrying amount in the ordinary course of business, and a corresponding impact on the Fund's profitability cannot be estimated reliably as of the date of these financial statements.

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

**9. Deferred tax assets**

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

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

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

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**10. Other assets**

	<b>31 March 2014</b>	<b>31 December 2013</b>
Receivables related to disposed equity investments under settlement	112,693,365	1,304,178
Dividend withholding tax to be recovered from Austrian tax authorities	1,031,382	1,038,188
Intangible assets	711,393	760,113
Prepaid expenses	215,941	43,882
Income tax to be recovered from the State Budget	-	436,920
Other assets	40,041	40,940
	<b>114,692,122</b>	<b>3,624,221</b>

**11. Other liabilities**

	<b>31 March 2014</b>	<b>31 December 2013</b>
Investment Management and Administration fees	13,217,704	13,471,953
Dividends payable	10,311,204	11,250,020
Provision for litigations	11,182,868	11,104,066
Payables related to treasury shares under settlement	5,078,103	-
Income tax payable to the State Budget	3,909,312	-
Financial Supervisory Authority fees	1,216,976	1,262,977
Tax on dividends	-	1,423,830
Other liabilities	1,223,867	3,755,390
	<b>46,140,034</b>	<b>42,268,236</b>

**12. Shareholders' equity**

**(a) Share capital**

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

According to Financial Supervisory Authority Decision no.1/21 February 2014, Financial Supervisory Authority 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 in the first buy-back programme carried on in 2011. The share capital decrease was effective on 24 February 2014.

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

By 31 March 2014, the State's share in Fund's issued capital was 2.72% (31 December 2013: 2.67%) out of which only 0.03% (31 December 2013: 0.03%) was paid.

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**2. Shareholders' equity (continued)**

**(b) Treasury shares**

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 1,100,950,684 treasury shares acquired by the Fund in the second buy-back programme.

The execution of the third buy-back programme started on 25 March 2014. The programme was approved by shareholders during the 22 November 2013 General Shareholders Meeting and refers to the repurchase of a maximum number of 252,858,056 shares at a minimum value of RON 0.2 per share and a maximum one of RON 1.5 per share. The shares repurchased will be cancelled. Following the evaluation of the offers submitted in the brokers' selection process, Raiffeisen Capital and Investment has been selected to provide services for the third buy-back programme.

In its effort to return value to shareholders, the Fund Manager has proposed shareholders to approve a fourth buy-back programme to repurchase 990,855,616 shares, once the third buy-back programme is completed. The programme can be executed within 18 months as of the date when the shareholders' resolution is published in the Official Gazette of Romania. The buy-back shall be performed at a price that cannot be lower than RON 0.2 / share or higher than RON 2 / share and the shares repurchased will be cancelled. The shareholders voted on the Fund Manager's proposal during the 28 April 2014 Annual GSM.

**(c) Dividends**

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

The Fund Manager proposed to keep the remaining RON 648,046,679 (after the compulsory allocation to legal reserves) from the 2013 statutory profits under unallocated retained earnings, taking into account that the Fund Manager has already recommended, and the shareholders have approved, a cash distribution of RON 0.05 per share via the decrease of the share capital through the reduction of the nominal value of the Fund's shares. Profit allocation of the 2013 statutory profits is subject to shareholders' approval in 28 April 2014 GSM. The shareholders voted on the Fund Manager's proposal regarding profit allocation during the 28 April 2014 Annual GSM.

**(d) Return of capital to shareholders**

In the 3 February 2014 General Shareholders Meeting, the Fund's shareholders approved the return to shareholders of RON 0.05 / share, following the share capital decrease through the reduction of the nominal value of Fund's share from RON 1 to RON 0.95. The decrease of the share capital will be effective, after the expiry of a two months term starting with the publication of the general meeting of shareholders resolution in the Romanian Official Gazette in accordance with Law no. 31/1990, provided that the Financial Supervisory Authority will endorse the new Constitutive Act reflecting the share capital decrease. The shareholders resolution was published in the Romanian Official Gazette on 15 April 2014 and the endorsement by the Financial Supervisory Authority of the new Constitutive Act reflecting the share capital decrease is expected after 15 June. The shareholders registered with Trade Registry on 30 April 2014 have the right to receive RON 0.05 per share, proportionally with their participation to the paid share capital of Fondul Proprietatea. The payment should start in 30 days after the decrease of the share capital mentioned above is effective, estimated to start shortly after 15 July 2014.

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### 13. Contingencies

As at 31 March 2014 the Fund was involved in certain litigations, either as defendant or claimant. According to the requirements of the *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* the Fund discloses in the financial statements those which may have significant effects on the Fund's financial position or profitability. The most important litigations were as follows:

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

In one of these cases, on 10 October 2012 the Bucharest Court of Appeal rejected the appeal filed by the Fund and upheld the decision of the Bucharest Court to partly admit a claim to annul certain resolutions from the 6 September 2010 GSM relating to (inter alia) approval of a new Constitutive Act and the first appointment of FTIML as the administrator of the Fund.

This decision is irrevocable and it was implemented by Trade Register, without any changes in the Management of the Fund considering that:

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new versions were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM and the 23 November 2012 GSM;
- new resolutions passed during the 25 April 2012 GSM 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:

- i. The Fund is due to receive the following amounts from the Romanian State:
  - 3% of the amounts collected in by the institutions involved in the privatisation process from each sale of shares held with Romtelecom SA, until the sale of the entire participation;
  - 20% of the amounts resulting from the privatization of Romtelecom SA;
  - 9.9% of the amounts resulting from the privatisation of C.E.C. SA.

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

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**13. Contingencies (continued)**

- ii. The receivables from World Trade Center Bucharest SA:

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

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

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

Consequently, these amounts are to be recovered by the Fund from the Ministry of Public Finance (being accounted for as a receivable over this shareholder of the Fund, for which an impairment adjustment was recorded), while the legal interest was recorded as an expense with provisions for litigations. The next hearing in front of Bucharest Court for this file was set for 23 May 2014.

Currently, World Trade Center Bucharest SA is the object of insolvency procedure, the next hearing being set for 25 June 2014.

**14. Related parties**

**(a) Key management**

	<b>3 months ended 31 March 2014</b>	<b>3 months ended 31 March 2013</b>
<b>Salaries</b>		
Members of the Board of Nominees	225,000	135,000

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

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch is both the Fund Manager and Sole Director of the Fund.

The transactions carried between the Fund and Fund Manager were the following:

<b>Transactions</b>	<b>3 months ended 31 March 2014</b>	<b>3 months ended 31 March 2013</b>
Investment management fee	10,458,267	7,755,073
Administration fee	2,759,437	2,046,193
Rental expense	26,703	25,943
Operating cost	5,410	6,882
	<b>13,249,817</b>	<b>9,834,091</b>

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**14. Related parties (continued)**

During the first quarter of 2014, the Fund recorded also an amount of RON 481,974 representing expenses incurred by the Fund Manager on its behalf (31 March 2013: RON 126,158). 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 March 2013, the Fund owed an amount of RON 13,891,401 to the Fund Manager (31 December 2013: RON 14,019,201).

**(b) Subsidiaries**

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

	<b>31 March 2014</b>	<b>31 December 2013</b>
<b>Ownership interest</b>		
Alcom S.A. Timisoara	72%	72%
Comsig S.A. Sighisoara	70%	70%
Primcom S.A. Bucuresti	75%	75%
Zirom S.A. Giurgiu	100%	100%

During first quarter of 2013 and 2012, the Fund did not carry out any transaction with its subsidiaries.

	<b>31 March 2014</b>	<b>31 December 2013</b>
<b>Dividends receivable</b>		
	10,158	10,158
	<b>10,158</b>	<b>10,158</b>
<b>Impairment loss allowance</b>		
	(10,158)	(10,158)
	<b>(10,158)</b>	<b>(10,158)</b>
	-	-

**(c) Associates**

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

	<b>31 March 2014</b>	<b>31 December 2013</b>
<b>Ownership interest</b>		
OMV Petrom S.A.	19%	20%

The Fund did not carry out any transactions with OMV Petrom S.A. during the first quarter of 2014 and during the first quarter of 2013.

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**15. Subsequent events**

**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.

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